CAPITAL BLF INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

to be held on August 1, 2013

- and -

MANAGEMENT INFORMATION CIRCULAR

with respect to certain special business including a

PLAN OF ARRANGEMENT

with

BLF REAL ESTATE INVESTMENT TRUST

July 2, 2013

This Notice, Information Circular and the accompanying materials require your immediate attention. If you are in doubt as to the actions required to be taken by these documents or the matters they refer to, please consult your professional advisors. Neither the TSX Venture Exchange nor any securities regulatory authority has in any way passed upon the merits of the Arrangement described in this Information Circular.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Shares**") of Capital BLF Inc. (the "**Corporation**") will be held at 2:30 p.m. (Montreal time) on August 1st, 2013 at the Centre Mont-Royal, Room Mansfield no. 2, 2200 Mansfield Street, Montréal, Québec, for the following purposes:

1. to consider, pursuant to an interim order (the "**Interim Order**") of the Québec Superior Court dated June 25, 2013 and, if deemed advisable, to pass, with or without variation, a special resolution (the "**Arrangement Resolution**") including the approval by the affirmative vote of at least 50% plus one of the total votes cast by the Shareholders excluding the vote of the directors and executive officers of the Corporation, the full text of which is set out in Appendix A to the accompanying Management Information Circular (the "**Information Circular**"), approving (a) the transfer of substantially all the property of the Corporation to BLF Limited Partnership (the "**Transfer of Assets**"), and (b) a plan of arrangement (the "**Arrangement**") under section 192 of the Canada Business Corporations Act (the "CBCA") involving the Corporation and its Shareholders, providing for the reorganization of the Corporation that will effectively convert the Corporation into a new TSX Venture Exchange listed real estate investment trust named BLF Real Estate Investment Trust (the "**REIT**"), as well as all matters relating to the Arrangement and the Transfer of Assets, all as more particularly set forth and described in the accompanying Information Circular;

2. assuming that the Shareholders approve the Arrangement, the Shareholders will be asked to consider and, if deemed advisable, to approve a resolution adopting a Unitholder's Right Plan (the "**Rights Plan**") for a term of three years. The Rights Plan must be reconfirmed at every third annual meeting of Unitholders of the REIT; and

3. to transact such other or further business as may properly come before the Meeting or any adjournment thereof.

Accompanying this Notice of Special Meeting of Shareholders are: (i) the Information Circular; (ii) a form of proxy (printed on yellow paper); (iii) a Letter of Transmittal and Election Form (printed on pink paper); and (iv) two copies of an Election on Disposition of Property by a Taxpayer to a Canadian Partnership (printed on blue paper).

Each person who is a holder of record of Shares at the close of business on June 27, 2013 (the "**Record Date**") is entitled to receive notice of, and to attend and vote at, the Meeting, and any adjournment thereof.

Registered Shareholders have the right to dissent with respect to the Arrangement and be paid the fair value of their Shares in accordance with the provisions of section 190 of the CBCA and the Interim Order, if the Arrangement becomes effective. This right to dissent is described in the Information Circular (see "The Arrangement — Dissent Rights"). Failure to strictly comply with the dissent procedures set out in the accompanying Information Circular may result in the loss or unavailability of any right of dissent. Beneficial owners of Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that **ONLY A REGISTERED OWNER OF SHARES IS ENTITLED TO EXERCISE RIGHTS OF DISSENT**.

Registered Shareholders unable to attend the Meeting in person are requested to read the Information Circular and the form of proxy which accompanies this notice and to complete, sign, date and deliver the form of proxy, together with the power of attorney or other authority, if any, under which it was signed (or a notarially certified copy thereof) to the Corporation's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department. To be effective, proxies must be received by Computershare Investor

Services Inc. not later than 5:00 p.m. (Toronto time) on the second last Business Day immediately preceding the date of the Meeting or any adjournment thereof. Unregistered Shareholders who received the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.

DATED at Montreal, Québec, this 2nd day of July, 2013.

By order of the Board of Directors,

(s) Mathieu Duguay

Mathieu Duguay
President, Chief Executive Officer and Director

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TABLE OF CONTENTS

GENERAL INFORMATION

This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of Management for use at the Meeting and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by the Corporation or Management.

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Exhibit 1 to the Arrangement Agreement, which is attached as Appendix B to this Information Circular. You are urged to carefully read the full text of the Plan of Arrangement.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "Glossary of Terms". Information contained in this Information Circular is given as of the date of this Information Circular unless otherwise specifically stated.

FORWARD-LOOKING STATEMENTS

This Information Circular contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) the description of the REIT that assumes completion of the Arrangement; (B) the intention to grow the business and operations of the REIT; and (C) the intention to distribute available cash to securityholders. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Information Circular. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to: the ability of the REIT to obtain necessary financing; satisfy conditions under the Arrangement; satisfy the requirements of the Exchange with respect to the Arrangement; obtain shareholder approval with respect to the Arrangement, respectively; the level of activity in the multi-residential apartment rental business, real estate industry generally (including real property ownership and tenant risks, liquidity of real estate investments, substitution for residential rental suites, competition, government regulation, environmental matters, and fixed costs and increased expenses) and the economy generally. While the Corporation anticipates that subsequent events and developments may cause its views to change, the Corporation specifically disclaims any obligation to update these forward-looking statements. These forward-looking statements should not be relied upon as representing the Corporation' s views as of any date subsequent to the date of this Information Circular. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the REIT. Additional factors are noted under "Risk Factors" in this Information Circular.

NON-IFRS MEASURES

NOI is a measure of operating performance based on income generated from the properties of the REIT. Management considers this non-IFRS measure to be an important measure of the REIT's operating performance.

FFO is a measure of operating performance based on the funds generated from the business of the REIT before reinvestment or provision for other capital needs. Management considers this non-IRFS measure to be an important measure of the REIT's operating performance.

Management considers AFFO to be an important performance measure to determine the sustainability of future distributions paid to holders of Units after provision for maintenance capital expenditures.

NOI, FFO and AFFO are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO and AFFO as computed by the REIT may differ from similar measures as reported by other trusts or companies in similar or different industries.

GLOSSARY

The following terms used in this Information Circular have the meanings set forth below.

"**AFFO**" means FFO subject to certain adjustments, including (i) amortization of fair value mark-to-market adjustments on mortgages acquired, amortization of deferred financing costs, amortization of tenant incentives and compensation expense related to unit-based incentive plans, and (ii) deducing a reserve for normalized maintenance capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by the Trustees in their discretion;

"**affiliate**", when used to indicate a relationship with a person, has the meaning ascribed thereto in Regulation 45-106 — *Prospectus and Registration Exemptions*;

"**Ancillary Rights**" means, in respect of each Class B LP Unit, the Exchange Right and the attached Special Voting Unit, collectively;

"**Arrangement**" means the arrangement under section 192 of the CBCA involving, among other things, the transfer by Shareholders of all of the issued and outstanding Shares to BLF LP in exchange for either Units or Class B LP Units, all as more particularly set forth in the Arrangement Agreement, as the same may be amended or varied in accordance with its terms;

"**Arrangement Agreement**" means the agreement made as of July 2, 2013 among the Corporation, the REIT, the General Partner and BLF LP, pursuant to which the parties agreed to implement the Plan of Arrangement, which Arrangement Agreement is attached to this Information Circular as Appendix B;

"**Arrangement Resolution**" means the Special Resolution to be considered by Shareholders at the Meeting in substantially the form attached to this Information Circular as Appendix A;

"**Articles of Arrangement**" means the articles of arrangement of the Corporation implementing the Plan of Arrangement;

"**Asset Management Agreement**" means the asset management agreement effective since March 15, 2013 between First Investor, L.P. and the Corporation to be assumed by the REIT upon Closing pursuant to the Arrangement;

"**Asset Transfer Agreement**" means the agreement between the Corporation and BLF LP with respect to the transfer of assets of the Corporation in favour of BLF LP prior to and conditional upon completion of the Arrangement;

"**associate**" has the meaning specified in section 5 of the *Securities Act* (Québec), as in effect on the date hereof;

"**BLF LP**" means BLF Limited Partnership, a limited partnership formed under the laws of Québec pursuant to the BLF LP Agreement;

"**BLF LP Agreement**" means the limited partnership agreement of BLF LP between the General Partner, as general partner and each Person who is admitted to the partnership in accordance with the terms of the agreement, as the same may be amended and/or restated from time to time;

"**BLF LP Notes**" means the promissory notes issued by BLF LP;

"**Beneficial Owner**" has the meaning ascribed thereto under "The REIT — Book-Based System";

"**Board**" means the board of directors of the Corporation;

"**Board of Trustees**" or "**REIT's Board**" means the board of trustees of the REIT;

"**Business Day**" means any day except a Saturday, Sunday or a statutory holiday in the city of Montreal, Québec;

"**CBCA**" means the *Canada Business Corporations Act*;

"**CDS**" means The Canadian Depositary for Securities Limited;

"**CRA**" means the Canada Revenue Agency;

"**Class A LP Units**" means the Class A limited partnership units in the capital of BLF LP;

"**Class B LP Units**" means the Class B limited partnership units in the capital of BLF LP;

"**Class C LP Units**" means the Class C limited partnership units in the capital of BLF LP;

"**Closing**" means the closing of the Arrangement;

"**Contract of Trust**" means the contract of trust of the REIT dated June 14, 2013 pursuant to which the REIT was established under the laws of the Province of Québec, as the same may be amended and/or restated from time to time;

"**Control Person**" means, in respect of an issuer, any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;

"**Corporation**" means Capital BLF Inc.;

"**Court**" means the Superior Court of Québec (Commercial Division);

"**Depositary**" means Computershare Investor Services Inc. in its capacity as depositary for the Shares exchanged pursuant to the Arrangement;

"**Depositary Agreement**" means the agreement between the Corporation and the Depositary with respect to the deposit of Shares in connection with and for the purpose of facilitating the completion of the Arrangement;

"**Director**" means the director appointed pursuant to section 260 of the CBCA;

"**Dissenting Shareholder(s)**" means Shareholder(s) who validly exercise the Dissent Right in respect of the Arrangement in strict compliance with the CBCA, the Interim Order and Article 4 of the Plan of Arrangement;

"**Dissent Right**" means the right of dissent and appraisal of Shareholders described in section 190 of the CBCA, the Interim Order and Article 4 of the Plan of Arrangement;

"**Distribution Date**" means, in respect of any Distribution Period and subject to the provisions of Section 11.1, of the Contract of Trust on or about the 15th day of the immediately following month (other than January) and on December 31 in each calendar year, or such other dates determined from time to time by the Trustees in their discretion;

"**Distribution Period**" means each calendar month, as determined by the Trustees from time to time, from and including the first day thereof and to and including the last day thereof; provided that (i) "Distribution Period" shall initially mean each calendar month and (ii) the first Distribution Period will begin on (and include) Closing and will end on August 31, 2013;

"**Effective Date**" means the date on which the Director issues a certificate for the Articles of Arrangement;

"**Effective Time**" means the time on the Effective Date at which the Arrangement is effective;

"**Electing Shareholder**" means a Shareholder (other than an Excluded Shareholder) that validly elects to transfer Shares to BLF LP in exchange for Class B LP Units pursuant to, and in accordance with, the terms of the Arrangement;

"**Election Deadline**" means 5:00 p.m. (Toronto time) on the second to last Business Day immediately preceding the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the second to last Business Day immediately preceding the date of such adjourned or postponed meeting;

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange;

"**Exchange Agreement**" means the exchange agreement entered into between the REIT, the General Partner, BLF LP and each Person who from time to time becomes or is deemed to become a party thereto by reason of his, her or its registered ownership of Exchangeable LP Units, with respect to, *inter alia,* the exchange of Class B LP Units into Units, as the same may be amended, supplemented or restated from time to time;

"**Exchange Ratio**" means the ratio of (i) one REIT Unit or (ii) a combination of one Class B LP Unit and the related Ancillary Right, as applicable, for every forty (40) Shares held, subject to rounding

(rounded down only), and provided that no fractional Units shall be issued and no consideration shall be given in lieu of such fractional interest;

"**Exchange Rights**" means the right granted under the Exchange Agreement to the holder of Class B LP Units to cause the REIT to exchange each Class B LP Unit for one REIT Unit pursuant to the Exchange Agreement;

"**Exchangeable LP Units**" means Class B LP Units and "**Exchangeable LP Unit**" means a Class B LP Unit;

"**Exchangeable Securities**" means any securities that are exchangeable, directly or indirectly, for Units, including rights and options to acquire Units under the Unit Option Plan.

"**Excluded Person**" means a person that, if a Shareholder, would be an Excluded Shareholder;

"**Excluded Shareholder**" means a Shareholder that is either (i) a "non-resident" for the purposes of the Tax Act or a partnership that is not a "Canadian partnership", (ii) a "financial institution", (iii) a Person, an interest in which is a "tax shelter investment", (iv) a Person which would acquire an interest in the Partnership as a "tax shelter investment", or (v) a Person that is not: (a) a "real estate investment trust", (b) a "taxable Canadian corporation", (c) a "SIFT trust", (d) a "SIFT partnership", or (e) an "excluded subsidiary entity" (all such expression as defined in the Tax Act);

"**FFO**" means funds from operations, being net income in accordance with IFRS, excluding: (i) fair value adjustments on investment properties, (ii) gains (or losses) from sales of investment properties, (iii) fair value adjustments and other effects of redeemable units classified as liabilities, (iv) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination, and (v) deferred income tax expense and certain other non-cash adjustments, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"**Final Order**" means the final order of the Court approving the Arrangement;

"**General Partner**" means BLF General Partner Inc., a corporation incorporated under the laws of Québec and a wholly-owned subsidiary of the REIT;

"**Gross Book Value**" means, at any time, the greater of (A) the value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (B) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations;

"**IFRS**" means International Financial Reporting Standards;

"**Independent Trustee**" means a Trustee who, in relation to the REIT or any of its related parties from and after Closing, is "independent" within the meaning of Multilateral Instrument 52-110 — *Audit Committees*;

"**Information Circular**" means this Management Information Circular;

"**Insider**" if used in relation to an issuer, means:

a) a director, senior officer or trustee, as applicable, of the issuer;

b) a director, senior officer or trustee, as applicable of the entity that is an Insider or subsidiary of the issuer;

c) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the issuer; or

d) the issuer itself if it holds any of its own securities;

"**Interim Order**" means the interim order of the Court dated June 25, 2013 under section 192(4) of the CBCA containing declarations and directions with respect to the Arrangement and the calling, holding and conduct of the Meeting and issued pursuant to the application of the Corporation in respect thereto, a copy of which Interim Order is attached as Appendix D to this Information Circular;

"**Letter of Transmittal and Election Form**" means the letter of transmittal and election form (printed on pink paper) delivered to registered Shareholders to be completed and returned to the Depositary, together with certificate(s) for Shares, pursuant to which Shareholders may elect to receive, on completion of the Arrangement, (i) Units or, (ii) unless such Shareholder is an Excluded Shareholder, Class B LP Units (together with the Ancillary Rights) for his, her or its Shares;

"**LP Units**" means limited partnership units in the capital of BLF LP, excluding the Class C LP Units;

"**Manager**" means a person who provides advisory, management and administrative services to the REIT and its Subsidiaries pursuant to a written contract; First Investor, L.P. is the initial Manager;

"**Maximum Number of Class B LP Units**" means the maximum number of Class B LP Units that may be issued by BLF LP in connection with the Arrangement, as determined by the General Partner, in its sole and absolute discretion, provided that the Maximum Number of Class B LP Units will be determined by the General Partner, with a view to ensuring that the REIT satisfies the Minimum Distribution Requirements;

"**Meeting**" means the special meeting of shareholders of the Corporation to be held August 1st, 2013 in respect of which this Information Circular is provided;

"**MI 61-101**" means Multilateral Instrument 61-101 — *Protection of Minority Security Holders in Special Transactions*;

"**Minimum Distribution Requirements**" means the minimum distribution requirements applicable to the REIT under (i) the policies of the TSXV with respect to the listing of the Units thereon, and (ii) the Tax Act with respect to the REIT's status as a "mutual fund trust" thereunder;

"**NOI**" means net operating income which is defined as revenues from income producing properties less property operating expenses such as taxes, utilities, property level general administrative costs, salaries, advertising, repairs and maintenance. NOI does not include charges for interest and other amortization;

"**Non-Resident**" means a person who is a "non-resident" within the meaning of the Tax Act and a partnership other than a Canadian partnership for the purposes of the Tax Act;

"**Notice of Meeting**" means the notice of the Meeting dated July 2, 2013 accompanying this Information Circular;

"**Ordinary Resolution**" means the affirmative vote of not less than a majority of votes cast by Shareholders with respect to a particular matter;

"**Options**" means, collectively, all outstanding and unexpired options to acquire Shares issued pursuant to the Share Option Plan;

"**Partnership**" means BLF LP and such other limited partnerships controlled by the REIT from time to time;

"**Person**" means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and government and agencies and political subdivisions thereof;

"**Plan of Arrangement**" means the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement, as the same may be amended and/or restated in accordance with its terms and the terms of the Arrangement Agreement;

"**Plans**" means, collectively, trusts governed by RRSPs, RRIFs, registered education savings plans, registered disability savings plans, deferred profit sharing plans, and TFSAs, each as defined in the Tax Act, and "**Plan**" means any of them;

"**Property Management Agreement**" means the property management agreement effective since March 15, 2013 between Société de gestion Cogir s.e.n.c. and the Corporation Inc. that will be assumed by the REIT upon Closing pursuant to the Arrangement;

"Property Manager" means a person who provides property management services to the REIT or its Subsidiaries pursuant to a written agreement, which may include the Trustees and officers of the REIT, or their respective associates and affiliates;

"**REIT**" means BLF Real Estate Investment Trust, a trust formed under the laws of the Province of Québec pursuant to the Contract of Trust;

"**REIT's Board**" or "**Board of Trustees**" means the board of trustees of the REIT;

"**REIT Exception**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Consequences — SIFT Rules";

"**RRIF**" means a trust governed by a "registered retirement income fund" as defined in the Tax Act;

"**RRSP**" means a trust governed by a "registered retirement savings plan" as defined in the Tax Act;

"**Record Date**" means June 27, 2013, being the date set by the directors of the Corporation for determining the Shareholders entitled to receive notice of, and to attend and to vote at, the Meeting;

"**Registered Shareholder**" means each person who is a holder of record of Shares at the close of business on the Record Date;

"**SIFT Rules**" has the meaning ascribed thereto under "Certain Canadian Federal Income Tax Consequences — Qualification as a Real Estate Investment Trust";

"**Shares**" means the common shares of the Corporation;

"**Shareholders**" means the holders of Shares;

"**Special Resolution**" means: (i) in the case of the Corporation, a resolution of Shareholders passed by an affirmative vote of not less than two-thirds of the votes cast by Shareholders at the Meeting with

respect to a particular matter; and (ii) in the case of the REIT, a resolution passed as a special resolution at a meeting of Voting Unitholders duly convened for that purpose and held in accordance with the Contract of Trust at which two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 5% of the number of votes attached to Voting Units then outstanding and passed by not less than two-thirds of the votes attaching to the Voting Units represented at the meeting, or passed in such other manner as provided in the Contract of Trust;

"**Special Voting Unit(s)**" means non-participating special voting unit(s) of the REIT and, for greater certainty, does not mean Unit(s);

"**Share Option Plan**" means the Corporation's share option plan;

"**Subsidiary**" includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

Subsidiary Entity" means a Partnership, a trust all units of which, or a corporation all the shares of which, are owned directly or indirectly by the REIT or an entity that would be consolidated with the REIT under IFRS;

"**Subsidiary Notes**" means promissory notes of a Subsidiary Entity having a maturity date, determined at the time of issuance, of not more than five years, bearing interest at a market rate determined by the Trustees at the time of issuance;

"**TFSA**" means a trust governed by a "tax-free savings account" as defined in the Tax Act;

"**TSXV**" or "**Exchange**" means the TSX Venture Exchange;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

"**Tax Election Form**" means an Election on Disposition of Property by a Taxpayer to a Canadian Partnership (printed on blue paper) included with this Information Circular to be completed by Electing Shareholders and returned to BLF LP as described under "The Arrangement — Class B LP Unit Election";

"**Tax Proposals**" means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof;

"**Taxation Year**" means the taxation year of the REIT for the purposes of the Tax Act;

"**Trustee**" means a trustee of the REIT and "**Trustees**" means all of the trustees of the REIT;

"**Unit(s)**" means ordinary participating voting unit(s) of the REIT and, for greater certainty, does not mean Special Voting Unit(s);

"**Unitholder(s)**" means the holder(s) of Units;

"**Unit Option Plan**" means the Unit option plan to be adopted by the Trustees, as described under "Unit Option Plan";

"**Unit Options**" means options to purchase Units issued under the Unit Option Plan;

"**Voting Units**" means the Units and Special Voting Units; and

"**Voting Unitholders**" means the holders of Units and Special Voting Units.

ELIGIBILITY FOR INVESTMENT

In the opinion of De Grandpré Chait LLP, counsel to the REIT and the Corporation, provided that the REIT is a "mutual fund trust" within the meaning of the Tax Act on the date of Closing or the Units are listed on a "designated stock exchange" (as defined in the Tax Act) (which currently includes the TSXV) on the date of Closing, the Units will be, on the date of Closing, "qualified investments" under the Tax Act for trusts governed by Plans.

Notwithstanding that Units may be qualified investments for a trust governed by a tax-free savings account ("**TFSA**"), registered retirement savings plan ("**RRSP**") or registered retirement income fund ("**RRIF**"), the holder of a TFSA or the annuitant of an RRSP or RRIF, as the case may be, will be subject to a penalty tax if the holder or annuitant, as the case may be, does not deal at "arm's length" with the REIT for purposes of the Tax Act or if the holder has a "significant interest" (within the meaning of the Tax Act and described below) in the REIT or in a corporation, partnership or trust with which the REIT does not deal at arm's length for purposes of the Tax Act. For these purposes, a holder or annuitant, as the case may be, will have a significant interest in the REIT at a particular time if the holder or annuitant, or the holder or annuitant together with persons or partnerships with which the holder or annuitant does not deal at arm's length, holds at that time interests as a beneficiary under the REIT that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the REIT. **Unitholders who intend to hold Units in a TFSA, RRSP or RRIF should consult with their own tax advisors regarding the application of the foregoing having regard to their particular circumstances. The Department of Finance recently announced that it was prepared to recommend certain changes to these rules; however, so far no proposed legislation has been published.**

SUMMARY OF THE INFORMATION CIRCULAR

This summary highlights information that is more fully discussed elsewhere in this Information Circular. This summary is not intended to be complete and is qualified in its entirety by reference to the more detailed information contained in this Information Circular. Shareholders are urged to read the more detailed information about the Corporation, the Arrangement and the REIT contained elsewhere in this Information Circular and the documents incorporated by reference into this Information Circular. Certain capitalized terms used in this Summary are defined under "Glossary".

Meeting of Shareholders

At the Meeting, Shareholders will be asked to consider and, if deemed advisable, to pass the Arrangement Resolution. The Meeting will be held at 2:30 p.m. (Montreal time) on August 1st, 2013 at the Centre Mont-Royal, Room Mansfield no. 2, 2200 Mansfield Street, Montréal, Québec.

Shareholders of record at the close of business on June 27, 2013 will be entitled to vote at the Meeting or any adjournment or postponement thereof.

The Arrangement

The purpose of the Arrangement is to reorganize the Corporation as a publicly-traded real estate investment trust. The Arrangement will result in Shareholders transferring their Shares to BLF LP in consideration for Units and/or, in the case of Electing Shareholders, Class B LP Units and related Ancillary Rights. All holders of Shares will be treated equally under the Arrangement, if implemented.

Transfer of Assets

Prior to the Arrangement and conditional on the completion of the Arrangement, the Corporation will transfer all its assets, including revenue producing properties (except certain excluded assets, such as title to the immovables and shares in the Nominee corporations and the initial REIT unit) to BLF LP, in consideration for (i) the assumption of all the liabilities (except certain excluded Liabilities, such as the Corporation's corporate tax liabilities, obligations under the nominee agreements), (ii) the issuance of unsecured, subordinate interest bearing demand promissory notes ("BLF LP Notes"), and (iii) Class C LP Units, pursuant to the Asset Transfer Agreement. Consequently upon completion of the Arrangement, BLF LP will continue the Corporation's activities (the "**Transfer of Assets**"), including investing, directly or indirectly, in the ownership of multi-residential properties.

Arrangement Steps

On the Effective Date, each of the events below will, except as otherwise expressly provided, be deemed to occur sequentially without further act or formality:

(a) Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately before the Effective Date will be deemed to have been transferred to the Corporation and cancelled and cease to be outstanding, and such Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid the fair value of their Shares;

(b) issued and outstanding Shares in respect of which an Electing Shareholder (who is not an Excluded Shareholder) has validly elected to receive an Exchangeable LP Unit (except, for greater certainty, any such Shares elected to be transferred in consideration for Exchangeable LP Units exceeding the Shareholder's *pro rata* allocation of the Maximum Number of Exchangeable LP Units) will be transferred to BLF LP in consideration for (i)

Exchangeable LP Units based on the Exchange Ratio, and (ii) the Ancillary Rights attached to such Exchangeable LP Units;

(c) issued and outstanding Shares (except for those held by Dissenting Shareholders) not transferred to BLF LP under paragraph (b) above will be transferred to BLF LP in consideration for REIT Units based on the Exchange Ratio, which BLF LP directs the REIT to issue and deliver directly to such Shareholder on behalf of BLF LP; in consideration for the deliverance by the REIT of each REIT Unit to such Shareholder on behalf of BLF LP, BLF LP will issue one (1) Class A LP Unit to the REIT;

(d) each Option will be exchanged for Unit Options having identical terms, subject to adjustment of the number of REIT Units underlying the Unit Options and the exercise price of the Unit Options based on the Exchange Ratio; If the foregoing calculation results in the total Options of a particular Optionholder being exercisable for a fraction of a REIT Unit, then the total number of REIT Units subject to such holder's total Options shall be rounded down to the next whole number of REIT Units and the total exercise price for such Unit Options shall be reduced by the exercise price of the fractional REIT Units; and

(e) the REIT will redeem one (1) REIT Unit initially issued by it to the Corporation in consideration for the initial subscription price of $10 in accordance with the procedure specified under Section 7.5 of the REIT Contract of Trust.

Shareholders (other than Excluded Shareholders) may elect, subject to the limitations described below and in accordance with the limits in the Tax Act, to receive Class B LP Units as consideration for all or a portion of their Shares. For certain Shareholders, receiving Class B LP Units may, based on their particular circumstances, provide for certain tax efficiencies. **However, electing to receive Class B LP Units may not be appropriate for all Shareholders and could give rise to certain adverse tax consequences that are not discussed herein. No opinion has been requested or obtained by the Corporation as to the tax consequences to a particular Shareholder of acquiring, holding or disposing of Class B LP Units and the Corporation provides no representation as to the tax consequences of acquiring, holding or disposing of Class B LP Units. Shareholders who are considering electing to receive Class B LP Units should consult their own legal and tax advisors with respect to the legal and tax consequences associated with electing this alternative and the acquiring, holding or disposing of Class B LP Units. Moreover, Class B LP Units will be subject to additional restrictions and limitations including: (i) restrictions on transferability; and (ii) restrictions on the exercise of the Exchange Rights. The Class B LP Units will not be listed on the TSXV or any other stock exchange or quotation system. See "BLF LP —Transfer of LP Units" and "Risk Factors".** Holders of Class B LP Units will receive Special Voting Units that will each initially entitle the holder to one vote at meetings of Unitholders of the REIT.

The Maximum Number of Class B LP Units to be issued pursuant to the Arrangement will be limited and will be determined by the General Partner, in its absolute discretion, with a view to ensuring that the REIT satisfies the Minimum Distribution Requirements. If the total number of Class B LP Units elected is greater than the Maximum Number of Class B LP Units, Class B LP Units will be allocated on a *pro rata* basis. Any Shares not transferred in consideration for Class B LP Units will be transferred to BLF LP in consideration for Units. No fractional Units or Class B LP Units will be issued and the number of Units or Class B LP Units issued, as applicable, will be rounded up or down to the nearest whole number.

For Shareholders (other than Excluded Shareholders) that properly elect to receive Class B LP Units, each partner of BLF LP will make the necessary joint tax elections with such Shareholders. However, none of the Corporation, BLF LP or General Partner will be responsible for the proper completion or filing of any tax election or the tax consequences thereof to the Electing Shareholder and the Electing

Shareholders will be solely responsible for the payment of any taxes, interest, expenses, damages or late filing penalties resulting from the failure of a former Shareholder to properly complete or file a tax election in the form or manner and within the time prescribed by applicable tax legislation. In order to make an election, a Shareholder must deliver to BLF LP two duly completed copies of the Tax Election Form within 60 days of the Effective Date. BLF LP and the General Partner agree only to execute any properly completed tax election and to forward such election by mail (within 30 days after the receipt thereof by BLF LP) to the applicable Shareholder. See "BLF LP — Exchangeable LP Units", and "BLF LP — Transfer of LP Units".

The Class B LP Units are intended to be, to the extent possible, the economic equivalent of the Units and will be exchangeable for Units. However, the Class B LP Units will not be listed on the TSXV or on any other stock exchange or quotation system. Excluded Shareholders will only be entitled to receive Units in exchange for their Shares.

Shareholders who do not: (i) validly deposit with the Depositary a duly completed Letter of Transmittal and Election Form at or prior to the Election Deadline; or (ii) fully comply with the requirements of the Letter of Transmittal and Election Form and the instructions therein in respect of the election to receive Class B LP Units, will be deemed to have elected to receive only Units for their Shares. A copy of the Letter of Transmittal and Election Form is enclosed with this Information Circular. No Class B LP Units will be issued to an Excluded Shareholder. See "BLF LP — Excluded Persons".

Post-Arrangement Steps

After giving effect to the Arrangement, the following transaction steps will be undertaken ("**Post-Arrangement Steps**"):

(a) the common shares of the Corporation transferred by the Shareholders to BLF LP will be delisted from the TSXV and, at the same time, the Units will be listed on the TSXV

(b) the Corporation will elect to cease to be a public corporation for the purpose of the Tax Act;

(c) the Corporation will distribute all BLF LP Notes to its sole shareholder, BLF LP, by way of return of capital.

Effect of the Arrangement

Following completion of the Transfer of Assets to BLF LP, Arrangement, and the Post-Arrangement Steps:

(a) BLF LP will own substantially all of the assets, and be responsible for substantially all of the obligations and liabilities, of the Corporation

(b) Shareholders (other than Dissenting Shareholders) will own all of the issued and outstanding Units and Class B LP Units (together with the Ancillary Rights);

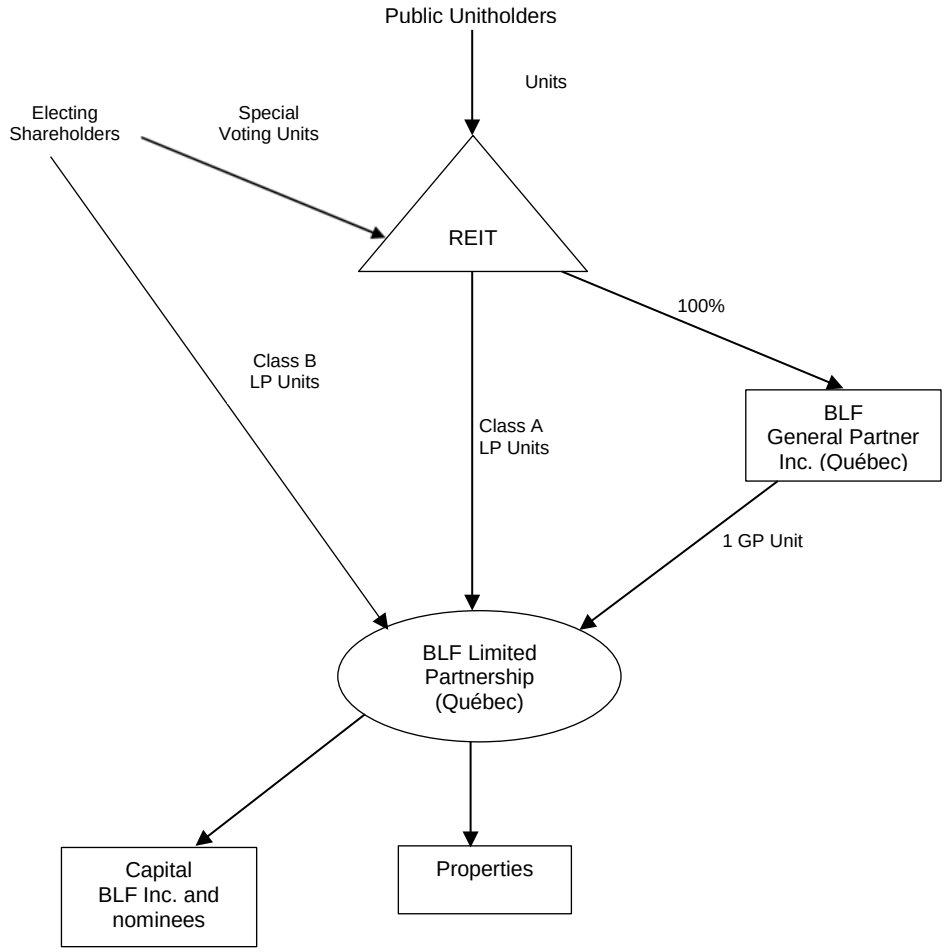
(c) the REIT will own all of the issued and outstanding securities of the General Partner;

(d) the REIT will own all of the issued and outstanding Class A LP Units;

(e) the Corporation will own all the issued and outstanding Class C LP Units; and

(f) the General Partner will own all the issued and outstanding Class A GP Units.

Structure Following Completion of the Arrangement



Principal Terms of the Arrangement Agreement

The Corporation, the REIT, the General Partner and BLF LP entered into the Arrangement Agreement dated July 2, 2013, which provides for the implementation of the Arrangement under section 192(4) of the CBCA. The Arrangement Agreement contains customary covenants, representations and warranties of each of the Corporation, the REIT, the General Partner and BLF LP. The closing of the Arrangement is also subject to a number of conditions, including, among other things, the approval of the Arrangement Resolution by special resolution, the acceptance of the Arrangement and substitutional listing of the Units by the Exchange and the approval of the Arrangement by the Court.

On the Effective Date, a series of transactions will be deemed to occur in order to convert the Corporation and its business from a corporate structure to a real estate investment trust structure. See "The Arrangement – The Arrangement Agreement". The completion of these transactions will be subject to a number of conditions, which must be satisfied (or otherwise waived by each of the applicable parties) on or before the Effective Date. These conditions include:

a) the Arrangement Resolution shall have been approved by not less than two-thirds of the votes cast by the Shareholders, in person or by proxy, at the Meeting, including the approval by the affirmative vote of at least 50% plus one of the total votes cast by the Shareholders excluding the vote of the directors and executive officers of the Corporation;

b) the Final Order approving the Arrangement shall have been obtained from the Court in form and substance satisfactory to the parties to the Arrangement Agreement;

c) the Articles of Arrangement, together with a copy of the Plan of Arrangement and the Final Order and such other materials as may be required by the Director, in form and substance satisfactory to the parties to the Arrangement Agreement, shall have been filed with the Director in accordance with subsection 192(5) of the CBCA;

d) all necessary consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor approvals, opinions and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received;

e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Arrangement, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the parties to the Arrangement Agreement shall have been issued and remain outstanding;

f) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties to the Arrangement Agreement;

g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied, which interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders or the REIT and its affiliates if the Arrangement is completed;

h) the conditional approval of the TSXV of the Arrangement and listing of the Units to be issued pursuant to the Arrangement (and upon exchange of the Class B LP Units and Unit Options) shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;

i) Dissent Rights shall not have been exercised (and not withdrawn) in connection with the Arrangement in respect of Shares representing, in aggregate, more than 1% of the issued and outstanding Shares;

j) Shareholders who immediately prior to the Effective Time are not resident in Canada for the purposes of the Tax Act (based on reasonable evidence available to the Board) and who are to receive Units under the Arrangement shall not, in the aggregate, immediately following Closing, own in excess of 49% of all then outstanding Units; and

k) the Arrangement Agreement shall not have been terminated pursuant to its terms.

Background to and Reasons for the Arrangement

The management of the Corporation and the Board have considered and concluded that the reorganization of the Corporation into a real estate investment trust in the manner contemplated by the Plan of Arrangement is an optimal strategy to maximize value to Shareholders. This intention to convert the Corporation to a real estate investment trust has been disclosed in the press release of the Corporation issued on June 14, 2013.

The Corporation has decided to pursue the Arrangement for the following reasons:

1. the resulting trust structure will enhance Shareholder value;

2. the resulting trust structure will create a favourable platform for growth and development of the properties and business of the Corporation; and

3. the resulting trust structure will ultimately provide a vehicle to deliver cash flow from the business of the Corporation to securityholders in a tax efficient manner.

Recommendation of the Board

The Board, based on its own investigations, has unanimously determined that, in its opinion, the Arrangement is in the best interests of the Corporation and the Shareholders. Accordingly, the Board has approved the Arrangement and unanimously recommends that Shareholders vote in favour of the Arrangement Resolution at the Meeting.

Approvals Required for the Arrangement

Shareholder Approval

Pursuant to the Interim Order, the Arrangement Resolution must be approved by (i) two-thirds of the votes cast by Shareholders voting in person or by proxy at the Meeting and (ii) by the affirmative vote of at least 50% plus one vote of the total votes cast by the Shareholders excluding the vote of the directors and executives officers of the Corporation. See “Approvals Required for the Arrangement — Shareholder Approval".

Each member of the Board who is also a Shareholder intends to vote all Shares, directly or indirectly, held or controlled by him in favour of the Arrangement Resolution. As at July 2, 2013, the directors of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an

aggregate of 33,357,857 Shares, representing approximately 25.25% of the issued and outstanding Shares.

Court Approval

Subject to the terms of, and satisfaction or waiver of the conditions precedent set forth in, the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Corporation will make application to the Court for the Final Order. Completion of the Arrangement is subject to receipt of the Final Order in form, and on terms reasonably satisfactory to, each party to the Arrangement Agreement.

As set forth in the Interim Order, the hearing in respect of the Final Order is expected to take place on August 16, 2013 or as soon thereafter as counsel may be heard, at the Courthouse, 1 Notre-Dame Street East, Montreal, Québec, H2Y 1B6. The Court has broad discretion under the CBCA when making orders with respect to an arrangement and the Court will consider, among other things, the fairness of the Arrangement to the Shareholders (and any other party as the Court determines appropriate). The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct.

Exchange Approval

The Shares are listed on the Exchange under the symbol "BLF". The Arrangement is conditional upon receiving the final acceptance of the Exchange and the Units issuable in connection with the Arrangement (including Units issuable upon exchange of the Class B LP Units and upon exercise of the Unit Options) being approved for listing on the Exchange. The Exchange has granted conditional approval of the Arrangement and to the listing of the Units issuable in connection therewith. The completion of the Arrangement is subject to the Corporation and the REIT fulfilling all of the requirements of the Exchange, including the Minimum Distribution Requirements.

Completion of the Arrangement

If the Final Order is obtained on August 16, 2013 in form and substance satisfactory to each party to the Arrangement Agreement, and all other conditions specified are satisfied or waived, the Corporation expects the Effective Date will be on or about August 20, 2013 or as soon as practicable thereafter.

Dissent Rights

Registered Shareholders are entitled to exercise Dissent Rights by providing written notice to the Corporation on or before 5:00 p.m. (Montréal time) on the second last Business Day prior to the Meeting in the manner described under the heading "Dissent Rights". If a Registered Shareholder dissents, and the Arrangement is completed, the Dissenting Shareholder is entitled to be paid the "fair value" of its Dissenting Shares as of the close of business on the day before the day the Arrangement Resolution is adopted. **Shareholders should carefully read the section in this Information Circular entitled "The Arrangement — Dissent Rights" if they wish to exercise Dissent Rights.**

Interests of Management and Others in the Arrangement

The directors of the Corporation will serve as Trustees of the REIT. Each of the nine directors of the Corporation will serve as directors of the General Partner. See "The REIT — Trustees and Officers of the REIT". In addition, each of the officers of the Corporation will serve as an officer of the General Partner.

The Corporation

The principal business of the Corporation is acquiring, holding, developing, maintaining, improving, leasing, managing or otherwise dealing with income-producing multi-unit residential properties located throughout Canada and in such other jurisdictions, from time to time. The Corporation currently owns eight (8) properties located in Montreal, Dorval and Québec City, totalling 792 apartment units.

The REIT

The REIT is an open-ended real estate investment trust formed under the laws of the Province of Québec pursuant to the Contract of Trust. The registered and head office of the REIT is located at 7250 Taschereau Boulevard, Suite 200, Brossard, Québec, J4W 1M9.

The REIT was formed to indirectly acquire the assets of the Corporation pursuant to the Arrangement. Following completion of the Arrangement, the REIT and its affiliates will focus on acquiring and owning additional multi-residential rental properties across Canada, the United States and such other jurisdictions where opportunities exist. The main initial focus will be on multi-residential real estate in the province of Quebec.

Strategy of the REIT

The REIT's intention is to build a substantial multi-residential portfolio and to become the preeminent landlord of multi-residential real estate in the province of Quebec.

The REIT's principal business objective is to maximize long-term Unitholder value by:

- growing and diversifying the REIT's portfolio of properties through acquisitions resulting in the consolidation of select sizeable, attractive and unexploited markets, primarily in Quebec, Canada's largest multi-residential market;

- enhancing the value of the business through rigorous and strategic management initiatives at the REIT's properties that will result in higher cash flows; and

- providing a portion of the REIT's investment returns to Unitholders through stable and growing cash distributions.

The REIT will seek to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, potential for increasing value through more efficient management of the assets being acquired and growth of the REIT's AFFO per Unit. See "The REIT — Strategy of the REIT".

The REIT intends to pay regular monthly cash distributions. However, the cash distributions will only be made subject to available cash, as determined at the discretion of the Board of Trustees.

Distribution Policy

The REIT initially intends to make monthly cash distributions of $0.0308 per Unit *pro rata* to Unitholders. The Partnership intends to make corresponding monthly cash distributions on each Class B LP Unit that are equal to the distributions that the holder of the Class B LP Unit would have received if it was holding a Unit instead of a Class B LP Unit. Declared distributions will be paid to Unitholders of record at the close of business on the last business day of a month on or about the 15th day of the following month. The REIT intends to initially make subsequent monthly distributions in the

estimated amount of $0.0308 per Unit commencing September 16, 2013, subject to the discretion of the Board of Trustees. See "Investment Guidelines and Operating Policies — Distribution Policy".

Certain Canadian Federal Income Tax Consequences

Exchange of Shares for Units

A Shareholder who exchanges some or all of its Exchanged Shares for Units pursuant to the Arrangement will be considered to have disposed of such Exchanged Shares for proceeds of disposition equal to the aggregate of the fair market value of the Units acquired by such Shareholder on the exchange. A Shareholder will realize a "capital gain" (or "capital loss") (as each term is defined in the Tax Act) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the "adjusted cost base" (as defined in the Tax Act) to the holder of the Exchanged Shares. See "Certain Canadian Federal Income Tax Consequences".

Exchange of Shares for Class B LP Units

The Canadian federal income tax consequences applicable to a transfer of Shares to BLF LP in exchange for Class B LP Units (and Ancillary Rights) is not discussed herein. **Investors contemplating such exchange should consult their own tax advisors with respect to the tax consequences of the Arrangement and the disposing of the Shares and the acquisition and holding of Class B LP Units based on their particular circumstances.**

Taxation of Unitholders

Each holder of Units will be required to include, in computing income for Canadian federal income tax purposes for a particular taxation year, the Unitholder' s *pro rata* share of the REIT's income that was paid or payable in that year by the REIT to the Unitholder of Units and that was deducted by the REIT in computing its income, whether received in cash, additional Units or otherwise. Generally, all other amounts received by Unitholders may not be included in the holders' income, but may reduce the adjusted cost base of the Unitholders' Units, for Canadian federal income tax purposes. **Prospective purchasers should consult their tax advisors regarding the tax implications of an investment in Units. See "Certain Canadian Federal Income Tax Consequences".**

Experts

As at July 2, 2013, the partners of De Grandpré Chait LLP, legal counsel to the Corporation, beneficially owned, directly or indirectly, less than one percent of the issued and outstanding Shares. No other person or company who is named as having prepared a part of this Circular has any direct or indirect interest with respect to the parties involved in the Arrangement.

Risk Factors

There are a number of risk factors associated with an investment in the REIT following completion of the Arrangement. These include (i) real property ownership and tenant risks; (ii) government regulation and environmental matters; (iii) the existence of substitutions for residential rental suites; (iv) competition; (v) the illiquid nature of real estate investments; (vi) potential uninsured losses; (vii) the risk of natural disasters; (viii) the fixed costs and increased expenses; (ix) the interest rate risk; (x) the REIT's dependence on the Partnership; (xi) identifying and completing suitable acquisitions; (xii); the risk related to insurance renewals; (xiii) access to capital; (xiv) derivatives risks; (xv) potential conflicts with Trustees; (xvi) the general insured and uninsured risks (xvii) the establishment of effective internal controls; (xviii) litigation risks; and (xix) the following risks related to the structure of the REIT: reliance on external sources of capital, restrictions on redemptions, cash distributions are

not guaranteed and may fluctuate with the REIT's performance, structural subordination of Units, Unitholder liability, Class B LP Units, nature of investment, tax-related risks, availability of cash flow, and restrictions on ownership of Units. See "Risk Factors".

THE ARRANGEMENT

The purpose of the Arrangement is to reorganize the Corporation as a publicly-traded real estate investment trust. The Arrangement will result in Shareholders transferring their Shares to BLF LP in consideration for Units of the REIT and/or, in the case of Electing Shareholders, Class B LP Units and related Ancillary Rights. All holders of Shares will be treated equally under the Arrangement.

Background to and Reasons for the Arrangement

The members of the Board and the management of the Corporation have substantial experience in the real estate sector and, since the inception of the Corporation, have considered, and declared their intention to complete, a reorganization of the Corporation into a real estate investment trust. After a review of, among other factors, the suitability of the Corporation's anticipated business for a real estate investment trust, the Corporation's business prospects and the current environment and trading levels for other real estate investment trusts, on March 27, 2013, the Board concluded that value for Shareholders could be enhanced by converting the Corporation to a real estate investment trust and approved in concept the conversion of the Corporation to a real estate investment trust. On June 14, 2013, the Corporation issued a press release announcing this determination.

In reaching its determination and making its recommendation set out below, the Board considered a number of factors, including the mechanics, structure and timing of implementation of the Arrangement, the availability of rights for Shareholders to dissent from the Arrangement, the requirement that the Arrangement be approved by two-thirds of the Shares voted in person or by proxy at the Meeting.

The Corporation has determined to pursue the Arrangement for the following reasons:

1. the resulting trust structure will enhance Shareholder value;

2. the resulting trust structure will create a favourable platform for growth and development of the properties and business of the Corporation; and

3. the resulting trust structure will ultimately provide a vehicle to deliver cash flow from the business of the Corporation to securityholders in a tax efficient manner.

The Board also considered the costs and expenses of the conversion, including professional expenses, tax obligations triggered by the conversion and other costs. The Board concluded that the benefits to Shareholders of the conversion (as more fully described above, including an anticipated enhanced valuation and liquidity, increased free cash flow and improved potential returns to Unitholders) warrant the incurrence of such costs.

The foregoing factors are not intended to be exhaustive. In addition, in determining to approve and recommend the Arrangement, the Board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors.

Recommendation of the Board

Based on its own investigations, the Board has unanimously determined that, in its opinion, the Arrangement is fair and reasonable and in the best interests of the Corporation and the Shareholders. Accordingly, the Board has approved the Arrangement and unanimously recommends that Shareholders vote in favour of the Arrangement Resolution at the Meeting. See "Interests of Management and Others in the Arrangement".

Each member of the Board intends to vote all Shares, directly or indirectly, held or controlled by him in favour of the Arrangement Resolution. As at July 2, 2013, the directors of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 33,357,857 Shares, representing approximately 25.25% of the issued and outstanding Shares. See "Arrangement — Interests of Management and Others in the Arrangement".

Transfer of Assets to BLF LP

Prior to the Arrangement and conditional on the completion of the Arrangement, the Corporation will transfer all its assets, including revenue producing properties (except certain excluded assets, such as title to the immovables and shares in the Nominee corporations and the initial REIT unit) to BLF LP, in consideration for (i) the assumption of all the liabilities (except certain excluded Liabilities, such as the Corporation's corporate tax liabilities, obligations under the nominee agreements), (ii) the issuance of unsecured, subordinate interest bearing demand promissory notes ("BLF LP Notes"), and (iii) Class C LP Units, pursuant to the Asset Transfer Agreement. Consequently upon completion of the Arrangement, BLF LP will continue the Corporation's activities (the "**Transfer of Assets**"), including investing, directly or indirectly, in the ownership of multi-residential properties.

General Description of the Arrangement

The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement and the Plan of Arrangement attached as Appendix B to this Information Circular.

The Corporation, the REIT, the General Partner and BLF LP have entered into the Arrangement Agreement, which provides for the implementation of the Plan of Arrangement pursuant to section 192 of the CBCA. Pursuant to the Arrangement, Shareholders of the Corporation will become Unitholders of the REIT (and/or, in the case of Electing Shareholders, holders of Class B LP Units of BLF LP and related Ancillary Rights) and will no longer own Shares. The Arrangement will become effective on the date of filing of the Final Order and the Articles of Arrangement and related documents in the form prescribed by the CBCA with the Director.

On the Effective Date, each of the events below will, except as otherwise expressly provided, be deemed to occur sequentially without further act or formality:

(a) Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately before the Effective Date will be deemed to have been transferred to the Corporation and cancelled and cease to be outstanding, and such Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid the fair value of their Shares;

(b) issued and outstanding Shares in respect of which an Electing Shareholder (who is not an Excluded Shareholder) has validly elected to receive an Exchangeable LP Unit (except, for greater certainty, any such Shares elected to be transferred in consideration for Exchangeable LP Units exceeding the Shareholder's *pro rata* allocation of the Maximum Number of Exchangeable LP Units) will be transferred to BLF LP in consideration for (i) Exchangeable LP Units based on the Exchange Ratio, and (ii) the Ancillary Rights attached to such Exchangeable LP Units;

(c) issued and outstanding Shares (except for those held by Dissenting Shareholders) not transferred to BLF LP under paragraph (b) above will be transferred to BLF LP in consideration for REIT Units based on the Exchange Ratio, which BLF LP directs the REIT to issue and deliver directly to such Shareholder on behalf of BLF LP; in consideration for the

deliverance by the REIT of each REIT Unit to such Shareholder on behalf of BLF LP, BLF LP will issue one (1) Class A LP Unit to the REIT;

(d) each Option will be exchanged for Unit Options having identical terms, subject to adjustment of the number of REIT Units underlying the Unit Options and the exercise price of the Unit Options based on the Exchange Ratio; If the foregoing calculation results in the total Options of a particular Optionholder being exercisable for a fraction of a REIT Unit, then the total number of REIT Units subject to such holder's total Options shall be rounded down to the next whole number of REIT Units and the total exercise price for such Unit Options shall be reduced by the exercise price of the fractional REIT Units; and

(e) the REIT will redeem one (1) REIT Unit initially issued by it to the Corporation in consideration for the initial subscription price of $10 in accordance with the procedure specified under Section 7.5 of the REIT Contract of Trust.

If the Meeting is held as scheduled and is not adjourned and the other necessary conditions are satisfied or waived, the Corporation will apply for the Final Order approving the Arrangement. If the Final Order is obtained on August 16, 2013 in form and substance satisfactory to the Corporation and the REIT, and all other conditions precedent to the Arrangement contained in the Arrangement Agreement are satisfied or waived, the Corporation expects the Effective Date will occur on or about August 20, 2013 or as soon as practicable thereafter.

The Arrangement will become effective upon the filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director.

The Corporation's objective is to have the Effective Date occur as soon as practicable after the Meeting. The Effective Date could be delayed, however, for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order. The Corporation will issue a press release once the Arrangement is completed on the Effective Date.

Post-Arrangement Steps

After giving effect to the Arrangement, the following transaction steps will be undertaken ("**Post-Arrangement Steps**"):

(a) the common shares of the Corporation transferred by the Shareholders to BLF LP will be delisted from the TSXV and, at the same time, the Units will be listed on the TSXV

(b) the Corporation will elect to cease to be a public corporation for the purpose of the Tax Act;

(c) the Corporation will distribute all BLF LP Notes to its sole shareholder, BLF LP, by way of return of capital.

Effect of the Arrangement

Following completion of the Transfer of Assets to BLF LP, Arrangement, and the Post-Arrangement Steps:

(a) BLF LP will own substantially all of the assets, and be responsible for substantially all of the obligations and liabilities, of the Corporation

(b) Shareholders (other than Dissenting Shareholders) will own all of the issued and outstanding Units and Class B LP Units (together with the Ancillary Rights);

(c) the REIT will own all of the issued and outstanding securities of the General Partner;

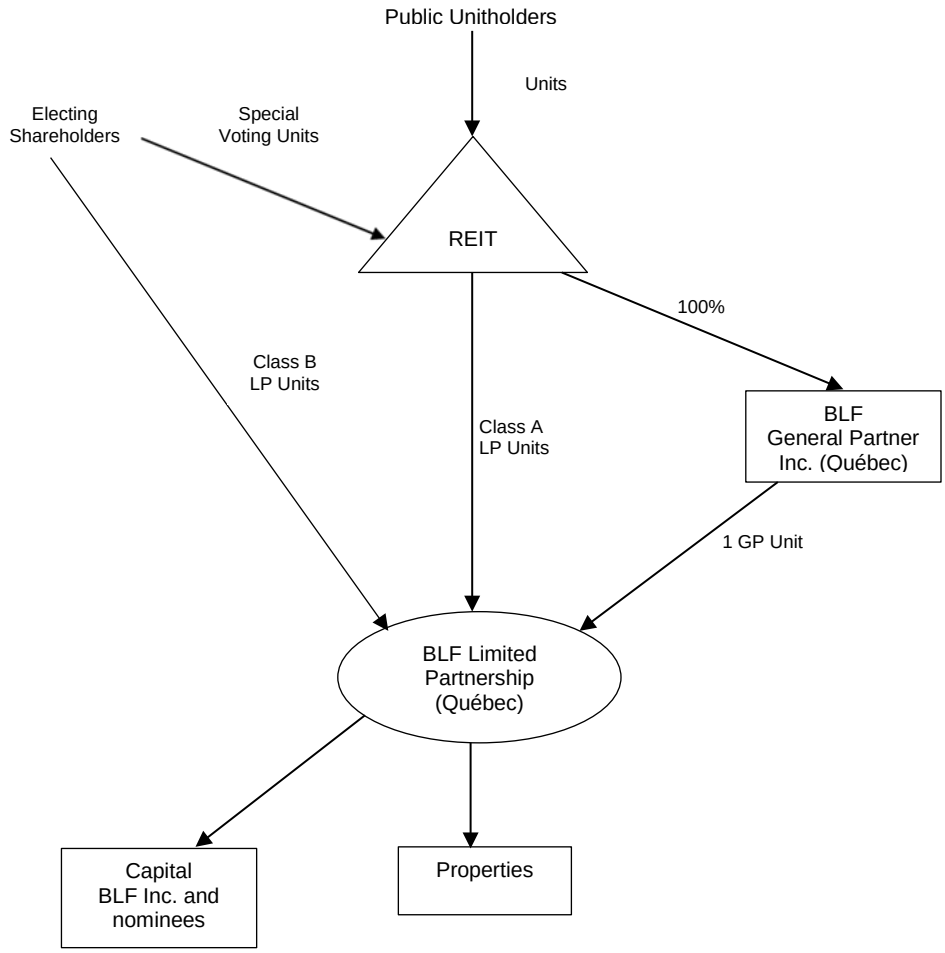
(d) the REIT will own all of the issued and outstanding Class A LP Units;

(e) the Corporation will own all the issued and outstanding Class C LP Units; and

(f) the General Partner will own all the issued and outstanding Class A GP Units.

Structure Following Completion of the Arrangement

The following chart illustrates the organizational structure of the REIT, including all material Subsidiaries, following the implementation of the Arrangement and related transactions.



The Arrangement Agreement

The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix B to this Information Circular.

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the parties thereto and various conditions precedent, both mutual and with respect to each such party.

Mutual Conditions Precedent

The Arrangement Agreement provides that the obligations of the parties to complete the Arrangement are subject to the fulfillment, on or before the Effective Time, of each of the following conditions precedent, each of which may only be waived by the mutual consent of the parties:

- the Arrangement Resolution shall have been approved by not less than two-thirds of the votes cast by the Shareholders, in person or by proxy, at the Meeting including the approval by the affirmative vote of at least 50% plus one of the total votes cast by the Shareholders excluding the vote of the directors and executive officers of the Corporation;

- the Final Order approving the Arrangement shall have been obtained from the Court in form and substance satisfactory to the parties to the Arrangement Agreement;

- the Articles of Arrangement, together with a copy of the Plan of Arrangement and the Final Order and such other materials as may be required by the Director, in form and substance satisfactory to the parties to the Arrangement Agreement, shall have been filed with the Director in accordance with subsection 192(6) of the CBCA;

- all necessary consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor approvals, opinions and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received;

- no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Arrangement, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the parties to the Arrangement Agreement shall have been issued and remain outstanding;

- none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties to the Arrangement Agreement;

- no law, regulation or policy shall have been proposed, enacted, promulgated or applied, which interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders or the REIT and its affiliates if the Arrangement is completed;

- the conditional approval of the TSXV of the Arrangement and listing of the Units to be issued pursuant to the Arrangement (and upon exchange of the Class B LP Units and Unit Options) shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;

- Dissent Rights shall not have been exercised (and not withdrawn) in connection with the Arrangement in respect of Shares representing, in aggregate, more than 1% of the issued and outstanding Shares;

- Shareholders who immediately prior to the Effective Time are not resident in Canada for the purposes of the Tax Act (based on reasonable evidence available to the Board) and who are to receive Units under the Arrangement shall not, in the aggregate, immediately following Closing, own in excess of 49% of all then outstanding Units; and

- the Arrangement Agreement shall not have been terminated pursuant to its terms.

Additional Conditions Precedent to the Obligations of each Party to the Arrangement Agreement

The Arrangement Agreement provides that the obligation of each party thereto to complete the transactions contemplated by the Arrangement Agreement is further subject to the condition, which may be waived by each such party without prejudice to its right to rely on any other condition in its favour, that the covenants of the other parties to be performed on or before the Effective Date pursuant to the terms of the Arrangement Agreement shall have been duly performed by them and that the representations and warranties of the other parties shall be true and correct in all material respects as at the Effective Date.

Representations and Warranties

The Arrangement Agreement contains customary representations and warranties on the part of the Corporation, BLF LP and the General Partner relating to, among others matters, organization, capitalization, corporate authority, corporate status, compliance with laws, litigation, restrictions of business activities and conflict with or breach of agreements or constating documents. The Arrangement Agreement also contains representations and warranties of each of the REIT, the General Partner and BLF LP relating to assets, liabilities and business activities.

Covenants

The Arrangement Agreement also contains customary negative and positive covenants on the part of the parties thereto.

In the Arrangement Agreement, the Corporation has agreed, among other things, to perform all of its obligations under the Arrangement Agreement, and further covenants that it will:

- until the Effective Date, not perform any act or enter into any transaction, nor permit the Corporation or any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;

- apply to the Court for and obtain the Interim Order;

- solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable law and, subject to receipt of the Interim Order, convene the Meeting as ordered by the

Interim Order and conduct the Meeting in accordance with the Interim Order and as otherwise required by law;

- file the Information Circular in all jurisdictions where the same is required to be filed by it and mail the same to the holders of Shares in accordance with the Interim Order and applicable law;

- ensure that the information set forth in the Information Circular relating to the Corporation and its Subsidiaries, and their respective businesses and properties and the effect of the Plan of Arrangement thereon will be true, correct and complete in all material respects;

- without limiting the generality of any of the foregoing covenants, until the Effective Date:

  (i) except pursuant to the exercise of outstanding stock options in accordance with the terms thereof prior to the date hereof, not issue any additional Shares or other securities or allow any of its Subsidiaries to issue any shares or other securities; and

  (ii) not issue or enter into, or allow any of its Subsidiaries to issue or enter into, any agreement or agreements to issue or grant options, warrants or rights to purchase any of its shares or other securities or those of such Subsidiaries;

- prior to the Effective Date, make application to list the Units (including Units to be issued from time to time upon exchange of the Class B LP Units and exercise of the Options) on the TSXV;

- prior to the Effective Date, make application to the Canadian securities regulatory authorities for such orders as may be necessary or desirable in connection with the Units and other securities to be issued pursuant to the Arrangement;

- perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:

  (i) the approval of Shareholders required for the implementation of the Arrangement;

  (ii) the Interim Order and, subject to the obtaining of all required consents, orders, rulings and approvals (including, without limitation, required approvals of Shareholders) the Final Order;

  (iii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement; and

  (iv) satisfaction of the other conditions precedent referred to in the Arrangement Agreement; and

  (v) upon issuance of the Final Order and subject to the conditions precedent in the Arrangement Agreement, proceed to file certain Arrangement filings in accordance with the CBCA.

In the Arrangement Agreement, the REIT has agreed, among other things, to perform all of its obligations under the Arrangement Agreement and all such other acts and things as may be necessary to consummate and make effective the transactions contemplated by the Arrangement

Agreement, including a number of specific actions relating to registrations and filings, obtaining consents, waivers, authorizations and approvals, and issuing the Units.

Procedure for the Arrangement Becoming Effective

The Arrangement is proposed to be carried out pursuant to section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective:

(i) the Arrangement must be approved by the Shareholders at the Meeting as described herein;

(ii) the Arrangement must be approved by the Court pursuant to the Final Order;

(iii) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties;

(iv) the Articles of Arrangement and related documents in the form prescribed by the CBCA, together with a copy of the Final Order and Plan of Arrangement must be filed with the Director; and

(v) the Certificate must be issued by the Director.

Approvals Required for the Arrangement

Shareholder Approval

The Meeting will be held at 2:30 p.m. (Montreal time) on August 1st, 2013 at the Centre Mont-Royal, Room Mansfield no. 2, 2200 Mansfield Street, Montréal (Québec) H3A 3R8. At the Meeting, Shareholders will be asked to consider, and if thought advisable, pass the Arrangement Resolution in the form attached hereto as Appendix A, with or without variation. Pursuant to the Interim Order, the Arrangement Resolution must be approved by Special Resolution.

Court Approval

The Corporation has applied for and obtained the Interim Order which provides for the calling and holding of the Meeting and other procedural matters. The Motion for Interim Order is attached as Appendix C to this Information Circular. Subject to the terms of and satisfaction or waiver of the conditions precedent set forth in the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Corporation will make application to the Court for the Final Order.

As set forth in the Interim Order, the hearing in respect of the Final Order is expected to take place at 9:00 a.m. (Montreal time) on August 16, 2013, or as soon thereafter as counsel may be heard, at the Courthouse, 1 Notre-Dame Street East, Montreal, Québec, H2Y 1B6. At the hearing, any Shareholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the Corporation a Notice of Appearance, together with any evidence or materials that such party intends to present to the Court not later than three days prior to the hearing setting out such Shareholder's or other interested party's address for service by ordinary mail and indicating whether such Shareholder or other interested party intends to support or oppose the Application or make submissions. Service of such notice shall be effected by service upon the solicitors for the Corporation, De Grandpré Chait LLP, 1000 De La Gauchetière Street West, Suite 2900, Montreal, Québec, H3B 4W5, Attention: Mtre Michel G. Beaudin.

The Court has broad discretion under the CBCA when making orders with respect to an arrangement and the Court will consider, among other things, the fairness of the Arrangement to the Shareholders (and any other party as the Court determines appropriate). The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct. However, it is a condition of the Arrangement that the Final Order be satisfactory in form and substance to each of the parties to the Arrangement Agreement, acting reasonably.

Exchange Approval

The Shares are listed on the Exchange under the symbol "BLF". The Arrangement is conditional upon receiving the final acceptance of the Exchange and the Units issuable in connection with the Arrangement (including Units issuable upon exchange of the Class B LP Units and upon exercise of the Unit Options) being approved for listing on the Exchange. The Exchange has granted conditional approval of the Arrangement and to the listing of the Units issuable in connection therewith. The completion of the Arrangement is subject to the Corporation and the REIT fulfilling all of the requirements of the Exchange, including the Minimum Distribution Requirements.

Class B LP Unit Election

Shareholders (other than Excluded Shareholders) may elect, subject to the limitations described below and in accordance with the limits in the Tax Act, to receive Class B LP Units as consideration for all or a portion of their Shares. For certain Shareholders, receiving Class B LP Units may, based on their particular circumstances, provide for certain tax efficiencies. **However, electing to receive Class B LP Units may not be appropriate for all Shareholders and could give rise to certain adverse tax consequences that are not discussed herein. No opinion has been requested or obtained by the Corporation as to the tax consequences to a particular Shareholder of acquiring, holding or disposing of Class B LP Units and the Corporation provides no representation as to the tax consequences of acquiring, holding or disposing of Class B LP Units. Shareholders who are considering electing to receive Class B LP Units should consult their own legal and tax advisors with respect to the legal and tax consequences associated with electing this alternative and the acquiring, holding or disposing of Class B LP Units. Moreover, Class B LP Units will be subject to additional restrictions and limitations including: (i) restrictions on transferability; and (ii) restrictions on the exercise of the Exchange Rights. The Class B LP Units will not be listed on the TSXV or any other stock exchange or quotation system. See "Risk Factors"– Risk Related to the Structure of the REIT – Class B LP Units".** Holders of Class B LP Units will receive Special Voting Units that will each initially entitle the holder to one vote at meetings of Unitholders of the REIT.

The Maximum Number of Class B LP Units to be issued pursuant to the Arrangement will be limited and will be determined by the General Partner, in its absolute discretion, with a view to ensuring that the REIT satisfies the Minimum Distribution Requirements. If the total number of Class B LP Units elected is greater than the Maximum Number of Class B LP Units, Class B LP Units will be allocated on a *pro rata* basis. Any Shares not transferred in consideration for Class B LP Units will be transferred to BLF LP in consideration for Units. No fractional Units or Class B LP Units will be issued and the number of Units or Class B LP Units issued, as applicable, will be rounded up or down to the nearest whole number.

For Shareholders (other than Excluded Shareholders) that properly elect to receive Class B LP Units, each partner of BLF LP will make the necessary joint tax elections with such Shareholders. However, none of the Corporation, BLF LP or General Partner will be responsible for the proper completion or filing of any tax election or the tax consequences thereof to the Electing Shareholder and the Electing Shareholders will be solely responsible for the payment of any taxes, interest, expenses, damages or late filing penalties resulting from the failure of a former Shareholder to properly complete or file a tax election in the form or manner and within the time prescribed by applicable tax legislation. In order to

make an election, a Shareholder must deliver to BLF LP two duly completed copies of the Tax Election Form within 60 days of the Effective Date. BLF LP and the General Partner agree only to execute any properly completed tax election and to forward such election by mail (within 30 days after the receipt thereof by BLF LP) to the applicable Shareholder. See "BLF LP — Exchangeable LP Units", and "BLF LP — Transfer of LP Units".

The Class B LP Units are intended to be, to the extent possible, the economic equivalent of the Units and will be exchangeable for Units. However, the Class B LP Units will not be listed on the TSXV or on any other stock exchange or quotation system.

Each Special Voting Unit will initially have one vote per unit at meetings of the Unitholders, but otherwise will have only a nominal economic interest in the REIT. In particular, the Special Voting Units will not entitle their holders to any distributions of income or capital of the REIT, whether in the ordinary course as determined by the Trustees or on a liquidation of the REIT. In addition, the holders of Special Voting Units will have no legal or beneficial interest in the assets of the REIT.

Shareholders who do not: (i) validly deposit with the Depositary a duly completed Letter of Transmittal and Election Form at or prior to the Election Deadline; or (ii) fully comply with the requirements of the Letter of Transmittal and Election Form and the instructions therein in respect of the election to receive Class B LP Units, will be deemed to have elected to receive only Units for their Shares. A copy of the Letter of Transmittal and Election Form is enclosed with this Information Circular. No Class B LP Units will be issued to an Excluded Shareholder.

Shareholders who are Excluded Shareholders will not be permitted to elect to receive Class B LP Units for their Shares and thereby become a partner of BLF LP. Excluded Shareholders will only be eligible to receive Units in exchange for their Shares. Shareholders will be required to provide a representation and warranty in the Letter of Transmittal and Election Form that they are not an Excluded Shareholder. Should it be determined that an Electing Shareholder was in fact an Excluded Shareholder at the time of the issuance of Class B LP Units, the issuance of such Class B LP Units (and the Ancillary Rights associated therewith) will be cancelled and be deemed to be void *ab initio* such that the Shareholder will be considered to never have received such Class B LP Units (and Ancillary Rights) and only to have received the applicable number of Units. In such circumstances, the Shareholder will be issued the applicable number of Units and any distributions received on the Class B LP Units will be required to be refunded to BLF LP.

Arrangements similar to those described in the paragraph above exist to prevent a holder of Class B LP Units that later becomes an Excluded Shareholder from continuing to hold such Class B LP Units. See the discussions under "BLF LP — Excluded Shareholders".

After the Effective Date, holders of Class B LP Units will be entitled to exchange their Class B LP Units at any time for Units in accordance with the Exchange Agreement and the BLF LP Agreement. **There are other consequences of holding Class B LP Units that are different from those of holding Units.** See "BLF LP — Exchangeable LP Units" and "Risk Factors — Risks Related to the Structure of the REIT — Tax Related Risks — Class B LP Units".

Procedure for Exchange of Shares

Shareholders must complete and return the Letter of Transmittal and Election Form on or before the Election Deadline, together with the certificate(s) representing their Shares, to the Depositary at one of the offices specified in the Letter of Transmittal and Election Form, if they wish to elect to transfer all or a portion of their Shares to BLF LP for Class B LP Units and related Ancillary Rights under the Arrangement. **Where: (i) no election is made to transfer Shares to BLF LP for Class B LP Units; or (ii) the election is not properly made; (iii) either the Letter of Transmittal and Election Form or the certificate(s) representing the Shares are received after the Election Deadline; or (iv)**

such Shareholder is an Excluded Shareholder, such Shareholder will be deemed to have elected to transfer each of its Shares to BLF LP in exchange for Units. A copy of the Letter of Transmittal and Election Form is enclosed with this Information Circular. See "The Arrangement — Class B LP Unit Election".

Any use of the mail to transmit a certificate for Shares and a related Letter of Transmittal and Election Form is at the risk of the Shareholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Whether or not Shareholders forward the certificates representing their Shares, upon completion of the Arrangement on the Effective Date, Shareholders will cease to be shareholders of the Corporation as of the Effective Date and will only be entitled to receive the consideration to which they are entitled under the Plan of Arrangement, or in the case of Shareholders who properly exercise dissent rights, the right to receive "fair value" for their Shares in accordance with the dissent procedures. See "The Arrangement — Dissent Rights".

Certificates representing the appropriate number of Units or Class B LP Units, as applicable, issuable to a former holder of Shares who has complied with the procedures set out above will, as soon as practicable after the Effective Date, (i) be forwarded to the holder at the address specified in the Letter of Transmittal and Election Form by first class mail, postage prepaid, or (ii) be made available at the principal offices of the Depositary in Montreal for pick up by the holder as requested by the holder in the Letter of Transmittal and Election Form.

Where a certificate for Shares has been destroyed, lost or mislaid, the registered holder of that certificate should immediately contact Computershare Investor Services Inc., at 514-982-7555 or 1-800-564-6253, regarding the issuance of a replacement certificate upon the holder satisfying such requirements as may be imposed by the Corporation in connection with issuance of the replacement certificate.

It is recommended that Shareholders each complete, sign and return the Letter of Transmittal and Election Form with accompanying Share certificates to the Depositary, at its principal office in Montreal, Québec, as soon as possible and preferably prior to 5:00 p.m. (Montreal time) on the second last Business Day immediately preceding the date of the Meeting.

Excluded Shareholders may not elect to receive Class B LP Units.

Treatment of Options

Pursuant to the Share Option Plan, there are presently outstanding Options to purchase an aggregate of 7,771,800 Shares. The Options are held by current and former directors and officers of the Corporation. The Share Option Plan contains anti-dilutive and other provisions, the effect of which is to authorize the Board to take certain steps to ensure that the rights of holders of Options are not adversely affected by certain events, such as the Arrangement. Accordingly, it was determined by the Board, in accordance with the Share Option Plan, and with the benefit of advice from external advisors, that the Options should be exchanged for Unit Options in such manner as to: (i) be consistent with the provisions of the Share Option Plan; and (ii) preserve the economic benefit to the holders of Options without altering the treatment of that benefit under the Tax Act.

At the Effective Time, each outstanding and unexercised Option will be exchanged for Unit Options having identical terms, subject to adjustment of the number of Units underlying the Unit Options and the exercise price of the Unit Options based on the Exchange Ratio. See "The Arrangement — The Arrangement Agreement". No additional Options will be granted prior to the Effective Date.

Interests of Management and Others in the Arrangement

The directors of the Corporation will serve as Trustees of the REIT. Each of the nine directors of the Corporation will serve as directors of the General Partner. See "Trustees and Officers of the REIT". In addition, each of the officers of the Corporation will serve as an officer of the REIT and of the General Partner.

Pursuant to the Interim Order, the Arrangement Resolution must be approved by two-thirds of the votes cast by Shareholders voting in person or by proxy at the Meeting. See "The Arrangement — Approvals Required for the Arrangement — Shareholder Approval".

Each member of the Board who is also a Shareholder intends to vote all Shares, directly or indirectly, held or controlled by him in favour of the Arrangement Resolution. As at July 2, 2013, the directors of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 33,357,857 Shares, representing approximately 25.25% of the issued and outstanding Shares.

Expenses of the Arrangement

The estimated costs to be incurred by the Corporation and the REIT and its affiliates relating to the Arrangement, including financial advisory, accounting and legal fees and the preparation and printing of this Information Circular, are expected to aggregate to approximately $470,000.

Stock Exchange Listing

The Arrangement is conditional upon receiving the final acceptance of the Exchange and the Units issuable in connection with the Arrangement (including Units issuable upon exchange of the Class B LP Units and upon exercise of the Unit Options) being approved for listing on the Exchange. The Exchange has granted conditional approval of the Arrangement and to the listing of the Units issuable in connection therewith. The completion of the Arrangement is subject to the Corporation and the REIT fulfilling all of the requirements of the Exchange, including the Minimum Distribution Requirements.

Securities Law Matters

The Units and the Class B LP Units and the related Special Voting Units to be issued or transferred pursuant to the Arrangement will, to the extent applicable, be issued or transferred in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws or pursuant to discretionary exemptions from such requirements to be obtained from applicable securities regulatory authorities in Canada. Upon their issue, the Units will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable securities laws of each of the provinces of Canada.

The Class B LP Units will not be transferable other than in connection with an exercise of the Exchange Rights. In addition, the Class B LP Units will not be listed on the TSXV or any other stock exchange or quotation system. Where necessary or otherwise as provided for in the BLF LP Agreement, applications will be made so as to relieve BLF LP from certain of the continuous disclosure requirements normally associated with being a "reporting issuer" under applicable Canadian securities legislation.

Dissent Rights

Section 190 of the CBCA provides shareholders with the right to dissent from certain resolutions of a corporation which effect extraordinary corporate transactions or fundamental corporate changes. The

Interim Order expressly provides Shareholders with the right to dissent from the Arrangement Resolution pursuant to section 190 of the CBCA and the Plan of Arrangement. Any Shareholder who dissents from the Arrangement Resolution in compliance with section 190 of the CBCA and the Plan of Arrangement will be entitled, in the event the Arrangement becomes effective, to be paid by the Corporation the "fair value" of the Shares held by such Dissenting Shareholder determined as of the close of business on the day before the Arrangement Resolution is adopted.

Section 190 of the CBCA provides that a shareholder may only make a claim under the section with respect to all the shares of a class held by the shareholder on behalf of any one beneficial owner and registered in the shareholder' name. One consequence of this provision is that a holder of Shares may only exercise the right to dissent under section 190 of the CBCA in respect of the Shares which are registered in that holder's name. In many cases, shares beneficially owned by a person are registered either: (a) in the name of an intermediary that the non-registered holder deals with in respect of the shares (such as banks, trust companies, securities dealers and brokers, trustees or managers of self-administered registered retirement savings plans, registered retirement income funds, registered educational savings plans and similar plans, and their nominees); or (b) in the name of a clearing agency (such as CDS) of which the intermediary is a participant. Accordingly, a non-registered holder will not be entitled to exercise the right to dissent under section 190 of the CBCA directly (unless the Shares are re-registered in the non-registered holder's name). A non-registered holder who wishes to exercise the right to dissent should immediately contact the intermediary with whom the non-registered holder deals in respect of his Shares and either: (i) instruct the intermediary to exercise the right to dissent on the non-registered holder's behalf (which, if the Shares are registered in the name of CDS or other clearing agency, would require that the Shares first be re-registered in the name of the intermediary); or (ii) instruct the intermediary to re-register the Shares in the name of the non-registered holder, in which case the non-registered holder would have to exercise the right to dissent directly.

The Interim Order provides that a Shareholder who wishes to dissent must provide a written notice of dissent ("Notice of Dissent") to the Arrangement Resolution to the Chief Executive Officer of Capital BLF Inc., to De Grandpré Chait LLP, 1000 De La Gauchetière Street West, Suite 2900, Montreal, Québec, H3B 4W5, Attention: Mtre. Michel G. Beaudin, prior to 5:00 p.m. (Montreal lime) on the second last Business Day preceding the Meeting. It is important that Shareholders strictly comply with this requirement and understand that it is different from the statutory dissent provisions of the CBCA which would permit a Notice of Dissent to be provided at or prior to the Meeting.

The filing of a Notice of Dissent does not deprive a Shareholder of the right to vote at the Meeting. The CBCA does not provide, and the Corporation will not assume, that a vote against the Arrangement Resolution or an abstention constitutes a Notice of Dissent, but a Shareholder need not vote his Shares against the Arrangement Resolution in order to dissent. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote in favour of the Arrangement Resolution does not constitute a Notice of Dissent; however, any proxy granted by a Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Arrangement Resolution, should be validly revoked (see "Proxy Solicitation Information — Revocation of Proxies") in order to prevent the proxy holder from voting such Shares in favour of the Arrangement Resolution and thereby causing the Shareholder to forfeit his right to dissent.

The Corporation is required, within 10 days after the Shareholders adopt the Arrangement Resolution, to notify each Dissenting Shareholder that the Arrangement Resolution has been adopted. Such notice is not required to be sent to any Dissenting Shareholder who has voted for the Arrangement Resolution or who has withdrawn his Notice of Dissent. A Dissenting Shareholder who has not withdrawn his Notice of Dissent must then, within 20 days after receipt of notice that the Arrangement Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after he learns that the Arrangement Resolution has been adopted, send to the

Corporation a demand for payment of the fair value of such Shares, containing his name and address, the number and class of Shares in respect of which he dissents, and a demand for payment of the fair value of such Shares. Within 30 days after sending a demand for payment, the Dissenting Shareholder must send to the Corporation or its transfer agent the certificates representing the Shares in respect of which he dissents. A Dissenting Shareholder who fails to send certificates representing the Shares in respect of which he dissents forfeits his right to dissent. The Corporation or its transfer agent will endorse on any share certificate received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder. After sending a demand for payment, a Dissenting Shareholder ceases to have any rights as a holder of the Shares in respect of which the Shareholder has dissented, other than the right to be paid the fair value of such shares as determined under section 190 of the CBCA, unless: (i) the Dissenting Shareholder withdraws the demand for payment before the Corporation makes the offer to pay; (ii) the Corporation fails to make a timely offer to pay to the Dissenting Shareholder and the Dissenting Shareholder withdraws his demand for payment; or (iii) the directors of the Corporation revoke the Arrangement Resolution, in all of which cases the Dissenting Shareholder's rights as a holder of the Shares in respect of which he has dissented are reinstated as of the date of the demand for payment.

In addition, pursuant to the Plan of Arrangement, Shareholders who duly exercise such rights of dissent and who are ultimately determined to be entitled to be paid fair value for their Shares shall be deemed to have transferred such Shares to the Corporation at the Effective Date.

The Corporation is required, not later than seven days after the later of the Effective Date and the date on which the Corporation receives a demand for payment from a Dissenting Shareholder, to send to the Dissenting Shareholder an offer to pay for the Shares in respect of which he has dissented in an amount considered by the Board to be the fair value thereof, accompanied by a statement showing the manner in which such fair value was determined Every offer to pay must be on the same terms. The Corporation must pay for the Shares of a Dissenting Shareholder within 10 days after an offer to pay has been accepted by such Dissenting Shareholder, but any such offer lapses if the Corporation does not receive an acceptance thereof within 30 days after the offer to pay has been made.

If the Corporation fails to make an offer to pay for a Dissenting Shareholder's Shares, or if a Dissenting Shareholder fails to accept an offer which has been made, the Corporation may, within 50 days after the Effective Date or within such further period as the Court may allow, apply to the Court to fix a fair value for the Shares of any remaining Dissenting Shareholders. If the Corporation fails to apply to the Court, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as the Court may allow. A Dissenting Shareholder is not required to give security for costs in such an application. Upon an application to the Court, all Dissenting Shareholders whose Shares have not been purchased by the Corporation will be joined as parties and bound by the decision of the Court, and the Corporation will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of such Dissenting Shareholder's right to appear and be heard in person or by counsel. Upon any such application to the Court, the Court may determine whether any person is a Dissenting Shareholder who should be joined as a party, and the order will be rendered against the Corporation in favour of each Dissenting Shareholder and for the amount of the fair value of his Shares as fixed by the Court.

The Court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Effective Date until the date of payment. An application by either the Corporation or a Dissenting Shareholder must be made to the Court.

The foregoing is only a summary of the dissenting shareholder provisions of the CBCA, the Interim Order and the Plan of Arrangement, which are technical and complex. The Interim

Order is attached to this Information Circular as Appendix D. A complete copy of section 190 of the CBCA is attached to this Information Circular as Appendix E. The Plan of Arrangement is attached as Exhibit 1 to the Arrangement Agreement, which is attached to this Information Circular as Appendix B. It is recommended that any Shareholder wishing to avail himself of Dissent Rights under those provisions seek legal advice, as failure to comply strictly with the provisions of the CBCA, the Interim Order and the Plan of Arrangement may prejudice, or result in a loss of the right of dissent.

THE CORPORATION

Capital BLF Inc. (the "**Corporation**") invests in well located multi-residential rental properties that have low vacancy rates and strong net cash flow generation with an initial focus on the Province of Québec. Over time, the Corporation intends to create a multi-residential real estate portfolio which is diversified both geographically and by type of property. The Corporation intends to acquire additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value.

As of the date of this Circular, the Corporation owns a portfolio of eight (8) multi-residential rental properties in Montreal, Dorval and Québec city representing 792 apartments.

Documents Incorporated by Reference

The May 8, 2013 Management Proxy Circular of the Corporation, copies of which can be found at www.sedar.com, is specifically incorporated into this Information Circular by reference.

The audited financial statements of the Corporation for the years ended December 31, 2012 and 2011 are specifically incorporated into this Information Circular by reference.

The condensed interim unaudited financial statements of the Corporation for the three-month periods ended March 31, 2013 and 2012 are specifically incorporated into this Information Circular by reference.

Any documents of the Corporation of the type referred to above (excluding confidential material change reports) together with any material change reports filed with a securities commission or similar regulatory authority in Canada on or after the date of this Information Circular and prior to the Meeting will be deemed to be incorporated by reference into this Information Circular.

Any statement related to the Corporation contained in this Information Circular or in a document of the Corporation incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for the purposes of this Information Circular, to the extent that a statement related to the Corporation contained in this Information Circular, or in any other subsequently filed the Corporation document that also is or is deemed to be incorporated by reference in this Information Circular, modifies or supersedes such statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.

Following completion of the Arrangement, BLF LP will indirectly be the sole shareholder of the Corporation, and in connection with the Arrangement, the Corporation will transfer substantially all of its assets (including the beneficial ownership of the multi-residential properties discussed above) to BLF LP pursuant to an Asset Transfer Agreement. See "Transfer of Assets to BLF LP".

THE REIT

The REIT is an open-ended real estate investment trust formed under the laws of the Province of Québec pursuant to the Contract of Trust. The registered and head office of the REIT is located at 7250 Taschereau Boulevard, Suite 200, Brossard, Québec, J4W 1M9.

The REIT was formed to proceed with the Arrangement. Following completion of the Arrangement, the REIT and its affiliates will focus on acquiring and owning additional multi-residential rental properties across Canada, the United States and such other jurisdictions where opportunities exist. The main initial focus will be on multi-residential real estate in the province of Quebec.

Strategy of the REIT

The REIT's intention is to build a substantial multi-residential portfolio and to become the preeminent landlord of multi-residential real estate in the province of Quebec.

The REIT's principal business objective is to maximize long-term Unitholder value by:

- growing and diversifying the REIT's portfolio of properties through acquisitions resulting in the consolidation of select sizeable, attractive and unexploited markets, primarily in Quebec, Canada's largest multi-residential market;

- enhancing the value of the business through rigorous and strategic management initiatives at the REIT's properties that will result in higher cash flows; and

- providing a portion of the REIT's investment returns to Unitholders through stable and growing cash distributions.

The REIT's external growth strategy will focus on acquisitions of multi-residential rental properties in the province of Québec. The REIT will seek to identify potential acquisitions using investment criteria that focus on the security of cash flow, potential for capital appreciation, potential for increasing value through more efficient management of the assets being acquired and growth of the REIT's AFFO per Unit.

The REIT intends to pay regular monthly cash distributions. However, the cash distributions will only be made subject to available cash, as determined at the discretion of the Board of Trustees.

After the closing of the Arrangement, the directors and officers of the Corporation shall be the Trustees and officers of the REIT. The Arrangement shall not modify the compensation of the officers and Trustees of the REIT.

Governance

The Contract of Trust provides that, subject to certain conditions, the Trustees will have full, absolute and exclusive power, control and authority over the REIT's assets, affairs and operations, to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by a Board of Trustees consisting of a minimum of five and a maximum of fifteen Trustees, a majority of whom will be Canadian residents. In addition, at Closing, a majority of Trustees will be Independent Trustees and will be Canadian residents.

The mandate of the Board of Trustees, which it discharges directly or through one of the three committees of the Board of Trustees, is one of stewardship and oversight of the REIT and its

business, and includes responsibility for strategic planning, review of operations, disclosure and communication policies, oversight of financial and other internal controls, corporate governance, Trustee orientation and education, senior management compensation and oversight, and Trustee compensation and assessment. The text of the Board of Trustee's written mandate is attached to this Information Circular as Appendix G.

The standard of care and duties of the Trustees provided in the Contract of Trust will be similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his office honestly, in good faith and in the best interests of the REIT and the Unitholders and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Contract of Trust provides that each Trustee will be entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his conduct was lawful.

Conflict of Interest Restrictions and Provisions

The Contract of Trust contains "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees are engaged in a wide range of real estate and other activities, the Contract of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act,* that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to (i) his direct remuneration as a Trustee, officer, employee or agent of the REIT, or (ii) indemnity of himself as a Trustee or the purchase or maintenance of liability insurance.

Position Descriptions

The Chair of the Board of Trustees and Committee Chairs

Claude Blanchet, the Chair of the Board of Trustees, is not an Independent Trustee. The Board of Trustees will adopt a written position description for the Chair of the Board of Trustees which will set out the Chair's key responsibilities, including duties relating to setting Board of Trustees meeting agendas, chairing Board of Trustees and Unitholder meetings, trustee development and communicating with Unitholders and regulators. The Board of Trustees will also adopt a written position description for each of the committee Chairs which will set out each of the committee Chair' s key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee. These descriptions will be considered by the Board of Trustees for approval annually.

Chief Executive Officer of the REIT

Mathieu Duguay will be acting as the Chief Executive Officer of the REIT. The primary functions of the Chief Executive Officer of the REIT are to lead the management of the REIT's business and

affairs and to lead the implementation of the resolutions and policies of the Board of Trustees. The Board of Trustees will develop a written position description and mandate for the Chief Executive Officer which will set out the Chief Executive Officer's key responsibilities, including duties relating to strategic planning, operational direction, Board of Trustees interaction, succession planning and communication with Unitholders and regulators. The Chief Executive Officer mandate will be considered by the Board of Trustees for approval annually.

Committees of the Board of Trustees

Pursuant to the Contract of Trust, the Board has established three committees: the Audit Committee, the Governance, Compensation and Nominating Committee (the "Governance Committee") and the Investment Committee. All members of the Audit Committee and a majority of the members of the Governance Committee and the Investment Committee will be Independent Trustees.

Audit Committee

The Audit Committee will initially consist of Mr. Jean Pierre Desrosiers (Chair), Mr. François Bourbonnais and Mr. Pierre Laflamme, each of whom is "independent" and "financially literate" within the meaning of National Instrument 52-110 — Audit Committees. Each of the Audit Committee members has an understanding of the accounting principles used to prepare the REIT's financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For the education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee, see "Trustees and Officers of the REIT".

The Board of Trustees has adopted a written charter for the Audit Committee, which sets out the Audit Committee's responsibility in reviewing the financial statements of the REIT and public disclosure documents containing financial information and reporting on such review to the Board of Trustees, ensuring that adequate procedures are in place for the review of the REIT's public disclosure documents that contain financial information, overseeing the work and review the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the Audit Committee charter is attached to this Information Circular as Appendix H.

Governance Committee

The Governance Committee will initially consist of Mr. Pierre Laflamme (Chair), Mr. François Bourbonnais and Mrs. Monique Cardinal. The Governance Committee will be charged with reviewing, overseeing and evaluating the governance and nominating policies and the compensation policies of the REIT. In addition, the Governance Committee will be responsible for: (i) assessing the effectiveness of the Board of Trustees, each of its committees and individual Trustees; (ii) overseeing the recruitment and selection of candidates as Trustees of the REIT; (iii) organizing an orientation and education program for new Trustees and coordinating continuing Trustee development programs; (iv) considering and approving proposals by the Trustees to engage outside advisers on behalf of the Board of Trustees as a whole or on behalf of the Independent Trustees; (v) reviewing and making recommendations to the Board concerning any change in the number of Trustees composing the Board of Trustees; (vi) administering any Unit option or purchase plan of the REIT or any other compensation incentive programs; (vii) assessing the performance of the officers and other members of the executive management team of the REIT; (viii) reviewing and approving the compensation paid by the REIT, if any, to the officers and consultants of the REIT; and (ix) reviewing and making recommendations to the Board of Trustees concerning the level and nature of the compensation payable to the Trustees and officers of the REIT.

Investment Committee

Pursuant to the Contract of Trust, a majority of the members of the Investment Committee must be Independent Trustees and must have at least five years of substantial experience in the real estate industry. The Investment Committee will initially consist of Mr. Pierre Laflamme (Chair), Mr. François Bourbonnais, Mr. Jean Pierre Desrosiers, Mr. Mathieu Duguay and Mr. Claude Blanchet. The Investment Committee will recommend to the Board of Trustees whether to approve or reject proposed transactions, including proposed acquisitions and dispositions of properties and borrowings (including the granting of any mortgage but not the renewal, extension or modification of any existing mortgage which can be approved by the General Partner if so delegated by the Board of Trustees) by the REIT, or to approve such transactions to the extent delegated by the Board of Trustees.

Remuneration of Trustees

Each of the Trustees who are not members of management will receive from the REIT a fee of $1,000 for each meeting of the Trustees attended in person or by conference call. Members of the Audit Committee will receive $1,000 for each committee meeting attended in person or by conference call. The Chair of the Audit Committee will receive a retainer of $7,500 per year while the Chairs of any other committees will not receive an annual retainer. The Chair of the Board of Trustees, if not member of management, will receive an annual retainer of $10,000 and will also receive meeting fees of $1,000 for each meeting of the Trustees attended in person or by conference call. Trustees will also be reimbursed for reasonable travel and other expenses properly incurred by them in attending meetings of the Trustees or any committee meeting.

SUMMARY OF CONTRACT OF TRUST

The following is a brief summary of certain provisions of the Contract of Trust. The summary below does not purport to be complete and, for full particulars, reference should be made to the Contract of Trust.

Nature of the REIT

The REIT is an unincorporated open-ended investment trust. The REIT, its Trustees and its property shall be governed by the general rules set forth in the Civil Code of Québec, except as such general law of trusts has been or is from time to time modified, altered or abridged for investment trusts or for the REIT by:

a) applicable laws, regulations or other requirements imposed by applicable securities or other regulatory authorities; and

b) the terms, conditions and trusts set forth in the Contract of Trust.

The beneficial interests and rights generally of a Unitholder in the REIT shall be limited to the right to participate *pro rata* in distributions when and as declared by the Trustees as contemplated in the Contract of Trust and in distributions upon the termination of the REIT as contemplated in the Contract of Trust. The REIT is not, and is not intended to be, shall not be deemed to be, and shall not be treated as, a general partnership, limited partnership, syndicate, association, joint venture, company, corporation or joint stock company nor shall the Trustees or any individual Trustee or the Unitholders or any of them or any officers or other employees of the REIT or any one of them for any purpose be, or be deemed to be, treated in any way whatsoever to be, liable or responsible hereunder as partners or joint venturers. Neither the Trustees nor any officer or other employee of the REIT shall be, or be deemed to be, agent of the Unitholders. The relationship of the Unitholders to the Trustees, to the REIT and to the property of the REIT shall be solely that of beneficiaries of the REIT and their rights shall be limited to those conferred upon them by the Contract of Trust. In its first tax

year, in filing a return of income for the REIT, the REIT shall elect, assuming that the requirements for such election are met, that the REIT shall be deemed to be a "mutual fund trust" for purposes of the Tax Act for the entire year.

Rights of Unitholders

The rights of each Unitholder to call for a distribution or division of assets, monies, funds, income and capital gains held, received or realized by the Trustees are limited to those contained in the Contract of Trust and, except as provided in the Contract of Trust, no Unitholder shall be entitled to call for any partition or division of the REIT's property or for a distribution of any particular asset forming part of the REIT's property or of any particular monies or funds received by the Trustees. The legal ownership of the property of the REIT and the right to conduct the activities of the REIT are vested exclusively in the Trustees, and no Unitholder has or is deemed to have any right of ownership in any of the property of the REIT, except as specifically provided in the Contract of Trust. Except as specifically provided in the Contract of Trust, no Unitholder shall be entitled to interfere with or give any direction to the Trustees with respect to the affairs of the REIT or in connection with the exercise of any powers or authorities conferred upon the Trustees under the Contract of Trust. The Units shall be personal property and shall confer upon the holders thereof only the interest and rights specifically set forth in the Contract of Trust.

Number of Trustees

There shall be a minimum of five and a maximum of fifteen Trustees. The number of Trustees within such minimum and maximum numbers may be changed by Unitholders or by the Trustees, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders. In the event of any such increase, the Unitholders or Trustees, as the case may be, shall forthwith elect or appoint any such additional Trustee(s).

Independent Trustees

There shall be a majority of Independent Trustees on the Board of Trustees and on any committee of the Trustees.

Term of Office of Trustees

Trustees will be elected for a term expiring at the next annual meeting and will be eligible for re-election. Trustees appointed by the Trustees between meetings of Unitholders in accordance with the Contract of Trust shall be appointed for a term expiring at the conclusion of the next annual meeting and will be eligible for election or re-election, as the case may be.

Qualifications of Trustees

A Trustee shall be an individual at least 18 years of age, who is not of unsound mind or under any other legal disability and has not been found to be of unsound mind or incapable of managing property by a court in Canada or elsewhere, and who does not have the status of bankrupt. Trustees are not required to hold Units. There shall be a majority of Independent Trustees on the Board of Trustees and on any committee of the Trustees and a majority of Independent Trustees must be Residents provided, however, that if at any time there are less than a majority of Independent Trustees because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstances of any Trustee who was an Independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which the remaining Trustees shall appoint a sufficient number of Independent Trustees to comply with this requirement.

Residency of Trustees

A majority of the Trustees, a majority of the Independent Trustees and a majority of any committee of the Trustees must be Residents. If at any time a majority of the Trustees, a majority of the Independent Trustees, or a majority of any committee of Trustees are for any reason not Residents or there are no Trustees who are Residents, the Trustee or Trustees who are Non-Residents shall, immediately before that time, be deemed to have resigned and shall cease to be Trustees with effect from the time of such deemed resignation. If at any time the number of Trustees is less than the number required under the Contract of Trust and the remaining Trustee or Trustees fail or are unable to act in accordance with the Contract of Trust to appoint one or more additional Trustees or if, upon the resignation or deemed resignation of one or more Trustees there would be no Trustees, then the Initial Unitholder shall appoint one or more Trustees so that following such appointment a majority of the Trustees, a majority of the Independent Trustees and a majority of any committee of Trustees are Residents and, failing such appointment, any remaining Trustee or Unitholder or officer of the REIT or the Auditors, as the case may be, may apply to the Court for an order appointing one or more Trustees so that following such appointment a majority of the Trustees, a majority of the Independent Trustees and a majority of any committee of Trustees are Residents, to act until the next annual meeting of Unitholders or on such other terms as the Court may order. Any Trustee who is a Resident who proposes to become a Non-Resident shall notify the other Trustees thereof as soon as reasonably practicable and shall resign as a Trustee effective upon the day of such notification and shall be replaced with a Trustee who is a Resident.

Election of Trustees

Except where Trustees are appointed in accordance with the Contract of Trust, the election of the Trustees shall be by the vote of Voting Unitholders. The appointment or election of any Trustee (other than an individual who is serving as a Trustee immediately prior to such appointment or election) shall not become effective unless and until such individual shall have in writing accepted such appointment or election and agreed to be bound by the terms of the Contract of Trust.

Limitations on Liability of Trustees

Subject to the standard of care set forth in the Contract of Trust, none of the Trustees nor any officers, employees or agents of the REIT shall be liable to any Unitholder or any other person for fault, in tort, contract or otherwise for any action taken or not taken in good faith in reliance on any documents that are, *prima facie*, properly executed; for any depreciation of, or loss to, the REIT incurred by reason of the sale of any security; for the loss or disposition of monies or securities; for any action or failure to act by any person to whom the Trustees are permitted to delegate and have delegated any of their duties hereunder; or for any other action or failure to act including, without limitation, the failure to compel in any way any former Trustee to redress any breach of trust or any failure by any person to perform obligations or pay monies owed to the REIT, unless such liabilities arise out of a breach of the standard of care, diligence and skill as set out in the Contract of Trust. If the Trustees have retained an appropriate expert, advisor or legal counsel with respect to any matter connected with their duties under the Contract of Trust, the Trustees may act or refuse to act based on the advice of such expert, advisor or legal counsel and, notwithstanding any provision of the Contract of Trust, including, without limitation, the standard of care, diligence and skill set out in the Contract of Trust, the Trustees shall not be liable for and shall be fully protected from any action or refusal to act based on the advice of any such expert, advisor or legal counsel which it is reasonable to conclude is within the expertise of such expert or advisor to give.

The Trustees shall not be subject to any personal liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the REIT arising out of anything done or permitted or omitted to be done in respect of the execution of the duties of the office of Trustees for or in respect to the affairs of the REIT unless such Trustee shall have failed to meet

the standard of care set out in the Contract of Trust. No property or assets of the Trustees, owned in their personal capacity or otherwise, will be subject to any levy, execution or other enforcement procedure with regard to any obligations under the Contract of Trust or under any other related agreements unless such Trustee shall have failed to meet the standard of care set out in the Contract of Trust. No recourse may be had or taken, directly or indirectly, against the Trustees in their personal capacity or against any incorporator, shareholder, director, officer, employee or agent of the Trustees or any successor of the Trustees unless such Trustee shall have failed to meet the standard of care set out in the Contract of Trust. The REIT shall be solely liable therefore and resort shall be had solely to the REIT's property for payment or performance thereof unless such Trustee shall have failed to meet the standard of care set out in the Contract of Trust.

In the exercise of the powers, authorities or discretion conferred upon the Trustees under the Contract of Trust, the Trustees are and shall be conclusively deemed to be acting as trustees of the REIT's property.

Conflict of Interest

Subject to the provisions of the Contract of Trust, if a Trustee or officer of the REIT or any of their respective affiliates or associates:

a) is a party to a material contract or transaction or proposed material contract or transaction with the REIT (or an affiliate thereof); or

b) is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT (or an affiliate thereof),

such Trustee or officer of the REIT shall disclose in writing to the Trustees or request to have entered into the minutes of meetings of the Trustees or the Governance Committee or such other applicable committee, as the case may be, the nature and extent of such interest.

A Trustee referred to in “Summary of Contract of Trust – Limitations on Liability of Trustee” above shall not vote on any resolution to approve the said contract or transaction unless the contract or transaction is:

a) one relating primarily to his remuneration as a Trustee, officer, employee or agent of the REIT or a Subsidiary or an affiliate of the REIT; or

b) one for indemnity under Section 17.1 of the Contract of Trust or the purchase of liability insurance,

provided however that the presence of such Trustee at the relevant meeting or the written recognition by such Trustee of any resolution in writing shall be counted towards any quorum requirement or requirement that at least a minimum number of Trustees or Independent Trustees act.

Where a material contract is made or a material transaction is entered into between the REIT and a Trustee or an officer of the REIT, or between the REIT and another person in which a Trustee or an officer of the REIT is a director or officer or in which he has a material interest:

a) such person is not accountable to the REIT or to the Unitholders for any profit or gain realized from the contract or transaction; and

b) the contract or transaction is neither void nor voidable,

by reason only of that relationship or by reason only that such person is present at or is counted to determine the presence of a quorum at the meeting of the Trustees that authorized the contract or transaction, if such person disclosed such person's interest in accordance with the Contract of Trust, and the contract or transaction was reasonable and fair to the REIT at the time it was so approved.

Competition with the REIT

The Manager, a Property Manager, the Trustees and officers of the REIT (and their respective affiliates and associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, asset manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the REIT and its Subsidiaries. Neither the Manager, a Property Manager, a Trustee or officer of the REIT, nor any of their respective affiliates or associates (or their respective directors and officers) shall incur or be under any liability to the REIT, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.

Units and Special Voting Units

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units. Issued and outstanding Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of the holders thereof.

Units

The beneficial interests in the REIT shall be divided into a single class of Units which shall be entitled to the rights and subject to the limitations, restrictions and conditions set out herein. The number of Units which the REIT may issue is unlimited. Each Unit when issued shall vest indefeasibly in the holder thereof. The interest of each Unitholder shall be determined by the number of Units registered in the name of the Unitholder. The issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to the Unitholders.

Special Voting Units

Special Voting Units have no economic entitlement in the REIT or in the distributions or assets of the REIT but entitle the holder to one vote per Special Voting Unit at any meeting of the Unitholders. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into Units, including Class B LP Units, for the purpose of providing voting rights with respect to the REIT to the holders of such securities. The initial Special Voting Units will be issued in conjunction with the Class B LP Units to which they relate, and will be evidenced only by the certificates representing such Class B LP Units. Special Voting Units will not be transferable separately from the exchangeable securities to which they are attached and will be automatically transferred upon the transfer of such exchangeable securities. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Unitholders that is equal to the number of Units that may be obtained upon the exchange of the Class B LP Unit to which such Special Voting Unit is attached. Upon the exchange or surrender of a Class B LP Unit for a Unit, the Special Voting Unit attached to such Class B LP Unit will automatically be redeemed for an amount equal to $0.001 per Special Voting Unit and cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Ranking of Units

Each Unit shall represent a proportionate, undivided beneficial interest in the REIT with all other outstanding Units. All Units outstanding from time to time shall participate *pro rata* in any distributions by the REIT and, in the event of termination or winding up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities and no Unit shall have any preference or priority over any other. Units shall rank among themselves equally and rateably without discrimination, preference or priority.

Units Non-Assessable

No Units shall be issued other than as fully paid and non-assessable. A Unit shall not be fully paid until the consideration therefore has been received in full by or on behalf of the REIT. The consideration for any Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that the REIT would have received if the Unit had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the Trustees may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit the REIT. Notwithstanding the foregoing, Units may be issued and sold on an instalment receipt basis, in which event beneficial ownership of such Units may be represented by instalment receipts, but shall otherwise be non-assessable. When Units are issued and sold on an instalment basis, the REIT may take security over such Units as security for unpaid instalments, including a hypothec or pledge as contemplated by an instalment receipt agreement.

No Pre-Emptive Rights

There are no pre-emptive rights attaching to the Units.

Fractional Units

If as a result of any act of the Trustees under the Contract of Trust, any person becomes entitled to a fraction of a Unit, such fractional Unit will not be issued but rather rounded down to the nearest whole Unit.

Allotment and Issue

The Trustees may allot and issue Units at such time or times and in such manner (including, without limitation, pursuant to any plan from time to time in effect relating to reinvestment by Unitholders of distributions of the REIT in Units) and for such consideration and to such person or class of persons as the Trustees in their sole discretion shall determine. In the event that Units are issued in whole or in part for a consideration other than money, the resolution of the Trustees allotting and issuing such Units shall express the fair equivalent in money of the other consideration received. The price or value of the consideration for which Units may be issued will be determined by the Trustees in their sole discretion, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units.

Rights, Warrants and Options

The REIT may create and issue rights, warrants or options (other than options created under the Unit Option Plan) or other instruments or securities (including convertible securities and exchangeable securities) to subscribe for fully paid Units which rights, warrants, options, instruments or securities may be exercisable at such subscription price or prices and at such time or times as the Trustees may determine. The rights, warrants, options, instruments or securities so created may be issued for such consideration or for no consideration, all as the Trustees may determine. A right, warrant,

option, instrument or security shall not be a Unit and a holder thereof shall not be a Unitholder. Upon the approval by the Independent Trustees of any unit option plan for the Trustees, officers and/or employees of the REIT or any Subsidiary and/or their personal holding companies or family trusts and/or persons who provide services to the REIT, the Governance Committee may, upon receiving authority from the Trustees, recommend to the Trustees the granting of options upon the terms and subject to the conditions set forth in such plan.

Subject to the provisions of the Contract of Trust, the Trustees may create and issue indebtedness of the REIT in respect of which interest, premium or principal payable thereon may be paid, at the option of the REIT or the holder, in fully paid Units, or which indebtedness, by its terms, may be convertible into Units at such time and for such prices as the Trustees may determine. Any indebtedness so created shall not be a Unit and a holder thereof shall not be a Unitholder unless and until fully paid Units are issued in accordance with the terms of such indebtedness.

Transferability

The Units are freely transferable and, except in limited circumstances set forth in the Contract of Trust, the Trustees shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. The Trustees shall use all reasonable efforts to obtain and maintain a listing for the Units on one or more stock exchanges in Canada.

Transfer of Units

Subject to the provisions of the Contract of Trust, the Units shall be, for all purposes of the REIT and the Contract of Trust, personal and moveable property, and the Units shall be fully transferable without charge as between persons, but no transfer of Units shall be effective as against the Trustees or shall be in any way binding upon the Trustees until the transfer has been recorded on the register or one of the branch transfer registers maintained by the Trustees, the REIT or the Transfer Agent of the REIT. No transfer of a Unit shall be recognized unless such transfer is of a whole Unit.

Non-Resident Ownership Constraint

At no time may more than 49% of the Units or Special Voting Units outstanding be held or beneficially owned, directly or indirectly, for the benefit of non-residents. Furthermore, at no time shall non-residents hold or beneficially own, directly or indirectly, Units or Special Voting Units or any other rights or options, including convertible debentures (for the purpose of this paragraph, such other rights and options being known as "**Options**") that may entitle them (conditionally or otherwise) to acquire Units that would result in more than 49% of the Units or Special Voting Units, at any time, being held or beneficially owned, directly or indirectly, by non-residents. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units or Special Voting Units are resident. If the REIT becomes aware that 49% of the Units or Special Voting Units and/or Options then outstanding are held, or may be held, for the benefit of non-residents or that such a situation is imminent, the Trustees may make a public announcement to such effect and shall not accept any subscription for Units or Options from any non-resident, issue any Units or Special Voting Units or Options to any such person or register or otherwise recognize the transfer of any Units or Special Voting Units or Options to any non-resident. If, notwithstanding the foregoing, the Trustees determines that more than 49% of the Units or Special Voting Units and/or Options are held or may become held for the benefit of non-residents, the Trustees may send a notice to non-resident holders of Units or Special Voting Units or Options, as shall be chosen on the basis of inverse order to the order of acquisition or registration, by law or by such other method that is authorized by the Trustees' determination, requiring them to sell their Units or Special Voting Units or Options or a portion thereof within a specified period of not more than 60 days. If the holders of Units or Special Voting Units or Options receiving such notice have not sold the specified number of Units or Special Voting Units or Options or provided the Trustees with satisfactory evidence that they are not non-residents of Canada

and do not hold their Units or Special Voting Units or Options for the benefit of non-residents within such period, the Trustees may sell such Units (or, in the case of Special Voting Units, redeem) or Options on behalf of such holders of Units or Special Voting Units or Options to a person or persons that are not non-residents of Canada and, in the interim, all rights attaching to such Units or Special Voting Units or Options (including any right to receive payments of interest) shall be immediately suspended and the rights of any such holders of Units or Special Voting Units or Options in respect of such Units or Special Voting Units or Options shall be limited to receiving the net proceeds of sale (net of any commission, tax or other cost of sale).

Redemption of Units

Each Unitholder shall be entitled to require the REIT to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided that:

a) To exercise a Unitholder's right to require redemption under the Contract of Trust, a duly completed and properly executed notice requiring the REIT to redeem Units, in a form approved by the Trustees, shall be sent to the REIT at the head office of the REIT. No form or manner of completion or execution shall be sufficient unless the same is in all respects satisfactory to the Trustees and is accompanied by any further evidence that the Trustees may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

b) Upon receipt by the REIT of the notice to redeem Units, the Unitholder shall thereafter cease to have any rights with respect to the Units tendered for redemption (other than to receive the redemption payment therefore) including the right to receive any distributions thereon which are declared payable to the Unitholders of record on a date which is subsequent to the day of receipt by the REIT of such notice. Units shall be considered to be tendered for redemption on the date that the REIT has, to the satisfaction of the Trustees, received the notice and other required documents or evidence as aforesaid.

c) Upon receipt by the REIT of the notice to redeem Units in accordance with the above provisions, the holder of the Units tendered for redemption shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

   (i) 90% of the "market price" of the Units on the principal market on which the Units are listed for trading during the 10 trading day period commencing immediately following the date (the "Redemption Date") on which the Units were surrendered for redemption; and

   (ii) 100% of the "closing market price" on the principal market on which the Units are listed for trading, on the Redemption Date;

   For the purposes of this calculation, "market price" will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; and provided that if there was trading on the applicable exchange or market for fewer than five of the trading days during the specified trading day period, the "market price" will be the average of the following prices established for each of the trading days during the specified trading period: the average of the last bid and last asking prices of the Units for each day on which there was no trading and the weighted average trading prices of the Units for each day that there was trading. The "closing market price" will be an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable exchange or market provides a closing price; an amount equal to the

average of the highest and lowest prices of the Units on the applicable market or exchange if there was trading on the specified date and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the average of the last bid and last asking prices of the Units if there was no trading on the specified date.

In the event that such Units are not listed and quoted for trading in a public market, the Redemption Price shall be the fair market value of such Units, which shall be determined by the Trustees in their sole discretion.

Subject to clause (d) and (e) below, the Redemption Price payable in respect of the Units tendered for redemption during any calendar month shall be paid by cheque, drawn on a Canadian chartered bank or a trust company in lawful money of Canada, payable at par to or to the order of the Unitholder who exercised the right of redemption within 30 days after the end of the calendar month in which the Units were tendered for redemption. Payments made by the REIT of the Redemption Price are conclusively deemed to have been made upon the mailing of a cheque in a postage prepaid envelope addressed to the former Unitholder unless such cheque is dishonored upon presentment. Upon such payment, the REIT shall be discharged from all liability to the former Unitholder in respect of the Units so redeemed.

d) Clause (c) shall not be applicable to Units tendered for redemption by a Unitholder, if:

(i) the total amount payable by the REIT pursuant to clause (c) in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds $50,000 (the "Monthly Limit"); provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month and, in the absence of such a waiver, Units tendered for redemption in any calendar month in which the total amount payable by the REIT pursuant to clause (c) exceeds the Monthly Limit will be redeemed partly for cash pursuant to clause (c) and the balance, subject to any applicable regulatory approvals, by a distribution *in specie* of assets held by the REIT in clause (e) on a *pro rata* basis;

(ii) at the time the Units are tendered for redemption, the outstanding Units are not listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; or

(iii) the normal trading of the outstanding Units is suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading, on the Redemption Date for such Units or for more than five trading days during the 10 trading day period commencing immediately after the Redemption Date for such Units.

e) To the extent a holder of Units is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the portion of the Redemption Price per Unit equal to the Monthly Limit divided by the number of Units tendered for redemption in the month shall be paid and satisfied by way of a cash payment in Canadian dollars and the remainder of the Redemption Price per Unit shall be paid and satisfied by way of a distribution in specie to such holder of Units of Subsidiary Notes having a fair market value equal to the product of (i) the remainder of the Redemption Price per Unit of the Units tendered for redemption and (ii) the number of Units tendered by such holder for redemption. To the extent a holder of Units is not entitled to receive cash upon the redemption of Units as a result of the limitations described at (ii) or (iii) of the foregoing paragraph, then the Redemption Price per Unit shall be paid and satisfied by way of a distribution in specie of Subsidiary Notes having a fair market value determined by the Trustees equal to the product of (i) the Redemption Price per

Unit of the Units tendered for redemption and (ii) the number of Units tendered by such holder of Units for redemption. No Subsidiary Notes in integral multiples of less than $100 will be distributed and, where Subsidiary Notes to be received by a holder of Units includes a multiple less than that number, the number of Subsidiary Notes shall be rounded to the next lowest integral multiple of $100 and the balance shall be paid in cash. The Redemption Price payable as described in this paragraph in respect of Units tendered for redemption during any month shall be paid by the transfer to or to the order of the holder of Units who exercised the right of redemption, of the Subsidiary Notes, if any, and the cash payment, if any, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments by the REIT as described in this paragraph are conclusively deemed to have been made upon the mailing of certificates representing the Subsidiary Notes, if any, and a cheque, if any, by registered mail in a postage prepaid envelope addressed to the former holder of Units and/or any party having a security interest and, upon such payment, the REIT shall be discharged from all liability to such former holder of Units and any party having a security interest in respect of the Units so redeemed. The REIT shall be entitled to all interest paid on the Subsidiary Notes, if any, on or before the date of distribution in specie as described in the foregoing paragraph. Any issuance of Subsidiary Notes will be subject to receipt of all necessary regulatory approvals, which the REIT shall use reasonable commercial efforts to obtain forthwith.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Subsidiary Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Subsidiary Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Annual Meeting

There shall be an annual meeting of the Unitholders at such time and place in Canada as the Trustees shall prescribe for the purpose of electing Trustees, appointing or removing the auditors of the REIT and transacting such other business as the Trustees may determine or as may properly be brought before the meeting. The annual meeting of Unitholders shall be held after delivery to the Unitholders of the annual report and, in any event, within 180 days after the end of each fiscal year of the REIT.

Other Meetings

The Trustees shall have power at any time to call special meetings of the Unitholders at such time and place in Canada as the Trustees may determine. Unitholders holding in the aggregate not less than 10% of the outstanding Units of the REIT may requisition the Trustees in writing to call a special meeting of the Unitholders for the purposes stated in the requisition.

Notice of Meeting of Unitholders

Notice of all meetings of the Voting Unitholders shall be mailed or delivered by the Transfer Agent of the REIT to the Voting Unitholders, each Trustee and to the auditors of the REIT not less than 21 nor more than 50 days (or within such other number of days as required by law or relevant stock exchange) before the meeting. Such notice shall specify the time when, and the place where, such meeting is to be held and shall state briefly the general nature of the business to be transacted at such meeting and shall otherwise include such information as would be provided to shareholders of a corporation governed by the CBCA in connection with a meeting of shareholders. Any adjourned meeting, other than a meeting adjourned for lack of a quorum, may be held as adjourned without

further notice. Notwithstanding the foregoing, a meeting of Voting Unitholders may be held at any time without notice if all the Voting Unitholders are present or represented thereat or those not so present or represented have waived notice. Any Voting Unitholder (or a duly appointed proxy of a Voting Unitholder) may waive any notice required to be given under the Contract of Trust, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the Chair of the meeting, and if at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy shall be deemed to constitute a quorum. Attendance at a meeting of Voting Unitholders shall constitute a waiver of notice unless the Voting Unitholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

Quorum and Chairman

A quorum for any meeting of Voting Unitholders shall be individuals present not being less than two in number and being Voting Unitholders or representing by proxy Voting Unitholders who hold in the aggregate not less in aggregate than five per cent of the total number of outstanding Units, provided that if the REIT has only one Voting Unitholder, the Voting Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. If a quorum is present at the opening of a meeting, the Voting Unitholders may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. The Chairman of any meeting at which a quorum of Voting Unitholders is present may, with the consent of the majority of the Voting Unitholders present in person or by proxy, adjourn at such meeting and no notice of any such adjournment need be given. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Voting Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Voting Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

The chairperson of any annual or special meeting shall be the Chairman of the Trustees or any other Trustee specified by resolutions of the Trustees or, in the absence of any Trustee, any person appointed as chairperson of the meeting by the Voting Unitholders present.

Voting

Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy. Each Voting Unit shall entitle the holder of record thereof to one vote at all meetings of the Voting Unitholders. Each Special Voting Unit will entitle the holder of record thereof to a number of votes at all meeting of the Voting Unitholders equal to the number of Units that may be obtained upon the exchange of Class B LP Unit, to which the Special Voting Unit is attached. Any action to be taken by the Voting Unitholders shall, except as otherwise required by the Contract of Trust or by law, be authorized when approved by a majority of the votes cast at a meeting of the Voting Unitholders. Every question submitted to a meeting of Voting Unitholders shall be decided in the first place by a majority of the votes cast on a show of hands, unless a poll is demanded, in which case a poll shall be taken. At any such meeting, unless a poll is demanded, a declaration by the chairman of the meeting that a resolution has been carried or carried unanimously or by a particular majority, or lost or not carried by a particular majority, shall be conclusive evidence of the fact. If a poll is demanded

concerning the election of a chairman of the meeting or an adjournment, it shall be taken immediately upon request and, in any other case, it shall be taken at such time as the chairman of the meeting may direct. The poll shall be taken in such manner as the chairman of the meeting may direct. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question on which the poll has been demanded.

At any such meeting, unless a poll is demanded, a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority, or lost or not carried by a particular majority, shall be conclusive evidence of that fact. If a poll is demanded concerning the election of a chairman or an adjournment, it shall be taken immediately upon request and, in any other case, it shall be taken at such time as the Chairman may direct. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question on which the poll has been demanded.

At any meeting of Voting Unitholders, on a show of hands every person who is present and entitled to vote, whether as a Voting Unitholder or as a proxy, shall have one vote. At any meeting of Voting Unitholders on a poll, each Voting Unitholder present in person or represented by a duly appointed proxy shall have one vote for each Unit held on the applicable Record Date, except as otherwise set forth in the Contract of Trust.

Amendments to the Contract of Trust by the Trustees

The Trustees may make the following amendments to the Contract of Trust in their sole discretion and without the approval of Voting Unitholders:

a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the REIT, including with respect to its status as a “unit trust”, a “mutual fund trust” and a “real estate investment trust” under the Tax Act or to otherwise prevent the REIT or any Subsidiary from becoming subject to tax under the rules applicable to “specified investment flow-through trusts” and “specified investment flow-through partnerships” in the Tax Act;

b) to effect amendments that the Trustees consider necessary or desirable as a result of changes in taxation laws from time to time, including, without limiting the generality of the foregoing, amendments which may affect the REIT, the Voting Unitholders or annuitants under a plan of which a Voting Unitholder acts as trustee or carrier or which may permit the REIT to qualify for any status under the Tax Act which would benefit the REIT or Voting Unitholders;

c) amendments which, in the opinion of the Trustees, provide additional protection for Voting Unitholders;

d) amendments to remove any conflicts or inconsistencies in the Contract of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;

e) which in the opinion of the Trustees, are necessary or desirable as a result of changes in accounting standards (including, without limitation, IFRS) from time to time, which may affect the REIT or the Voting Unitholders, including without limitation to ensure that the Voting Units qualify as equity for purposes of IFRS;

f) amendments which in the opinion of the Trustees are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis or to implement a Unit option, purchase or rights plan or a distribution reinvestment plan;

g) amendments to create one or more additional class of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units;

h) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Voting Unitholders; and

i) amendments for any purpose (except one in respect of which a Voting Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees are not prejudicial to Voting Unitholders and are necessary or desirable.

Notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or reduce the equal undivided interest in the property of the REIT or the entitlement to distributions from the REIT provided hereunder represented by any Unit without the consent of the holder of such Unit.

Matters on which Voting Unitholders Shall Vote

None of the following shall occur unless the same has been duly approved by the Voting Unitholders at a meeting duly called and held:

a) except as provided in the Contract of Trust, the appointment, election or removal of Trustees;

b) except as provided in the Contract of Trust, the appointment or removal of Auditors;

c) any amendment to the Contract of Trust (except for amendments which may be made at the discretion of the Trustees);

d) the sale or transfer of the properties or assets of the REIT as an entirety or substantially as an entirety (other than as a part of an internal reorganization of the assets of the REIT as approved by the Trustees);

e) an increase or decrease in the number of Trustees;

f) any decision to amend the investment guidelines or operating policies of BLF LP, or certain matters which require the approval of holders of Class A L.P. Units under the BLF Limited Partnership Agreement;

g) the termination of the REIT; or

h) any action upon any matter, which under applicable law (including policies of Canadian securities commissions) or applicable stock exchange rules or policies, would require approval of a majority of the votes cast by the holders of LP Units had the Partnership been a reporting issuer (or the equivalent) in the jurisdictions in which the REIT is a reporting issuer (or the equivalent) and had LP Units been listed on the stock exchanges where the Units are listed for trading, respectively.

However, nothing in this section shall prevent the Trustees from submitting to a vote of Voting Unitholders any matter which they deem appropriate.

Matters which must be approved by Special Resolution

a) any amendment to the provisions of the Contract of Trust dealing with amendments to the Contract of Trust;

b) any exchange, reclassification or cancellation of all or part of the Units;

c) any amendment to change a right with respect to any outstanding Units of the REIT or to reduce the amount payable thereon upon termination of the REIT or to diminish or eliminate any voting rights pertaining thereto;

d) any amendment to the duration or term of the REIT;

e) any amendment to increase the maximum number of Trustees (to more than 15) or to decrease the minimum number of Trustees (to less than five), any change by the Unitholders in the number of Trustees within the minimum and maximum number of Trustees;

f) except as provided in the Contract of Trust, any constraint on the issue, transfer or ownership of Units or the change or removal of such constraints;

g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees;

h) any sale or transfer of the properties or assets of the REIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the REIT's property as approved by the Trustees;

i) any distribution of the REIT's property upon its termination;

j) any amendment to the Investment Guidelines and Operating Policies of the REIT, except as provided in the Contract of Trust;

k) the combination, merger, amalgamation or arrangement of the REIT, directly or indirectly with any other person or entity; or

l) any matter required to be passed by a Special Resolution under BLF LP Agreement, as may be amended and restated from time to time.

Investment Guidelines and Operating Policies

Investment Guidelines

The Contract of Trust provides that the assets of the REIT may only be invested in accordance with the following investment guidelines and the REIT shall not permit any of its Subsidiaries to conduct its operations and affairs other than in accordance with the following investment guidelines:

a) Notwithstanding any other provisions of the Contract of Trust, the REIT shall not make, or permit any of its Subsidiaries to make, and Subsidiaries of the REIT will not make, any investment that could result in: (i) the Units being disqualified for investment by Plans; (ii) the REIT and any of its Subsidiaries being liable under the Tax Act to pay a tax imposed under either paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act; or; (iii) the REIT ceasing to qualify as a "mutual fund trust" or "real estate investment trust" for purposes of the Tax Act;

b) Except as otherwise prohibited in the Contract of Trust, the REIT may only invest in and permit its Subsidiaries to invest in:

   (i) interests (including ownership and leasehold interests) in income-producing immovable property that is capital property of the REIT;

(ii) corporations, trusts or partnerships (limited or general) or other persons which are "real estate investment trusts" for the purposes of the Tax Act;

(iii) corporations, trusts or partnerships (limited or general) or other persons that derive all or substantially all of their revenues from maintaining, improving, leasing or managing immovable property that is capital properties of the REIT or of an entity of which the REIT holds a share or an interest, including immovable property that the REIT, or an entity of which the REIT holds a share or an interest, holds together with one or more other persons;

(iv) corporations, trusts or partnerships (limited or general) or other persons, if the entity holds no property other than legal title to immovable property of the REIT (including immovable property that the REIT holds together with one or more other persons), and property ancillary to the earning by the REIT of rents or gains from the sale of immovable property that is capital property;

(v) such other activities as are consistent with the other investment guidelines of the REIT; and

(vi) such investments as are otherwise approved by Trustees from time to time;

Once the Gross Book Value of the REIT exceeds $500,000,000, the REIT shall not invest in any interest in a single real property (which, for greater certainty, shall not include a portfolio of properties) if, after giving effect to the proposed investment, the cost to the REIT of such investment (net of the amount of indebtedness incurred or assumed in connection with such investment) will exceed 20% of Gross Book Value at the time the investment is made.

c) Except as otherwise prohibited in the Contract of Trust, the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a joint venture arrangement is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others (subject to (a)) either directly or through the ownership of securities of a corporation or other entity, including a limited partnership or a limited liability company;

d) Except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule 1 Canadian bank maturing prior to one year from the date of issue and except as otherwise permitted pursuant to the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in immovable property (as determined by the Trustees);

e) Except as otherwise prohibited in the Contract of Trust, the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil and gas, except as ancillary to an investment in immovable property.

f) Except as otherwise prohibited in the Contract of Trust, the REIT shall not invest in raw land for development except for properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties that are capital property of the REIT or the development of new facilities which will be capital property of the REIT, provided that the aggregate cost of the investments of the REIT in raw land, after giving effect to the proposed investment, will not exceed 5% of the adjusted Unitholders' equity. (calculated in accordance with the Contract of Trust).

g) Except as otherwise prohibited in the Contract of Trust:

(i) the REIT may invest in immovable hypothecs, mortgages, hypothecary bonds or mortgage bonds (including a participating or convertible immovable hypothec or mortgage) and similar instruments where the hypothec, mortgage, hypothecary bond or mortgage bond is issued by a Subsidiary;

(ii) the REIT may invest in immovable hypothecs, mortgages, hypothecary bonds or mortgage bonds (including a participating or convertible immovable hypothec or mortgage) and similar instruments where:

(i) the immovable property, which is security therefor, is income-producing immovable property which otherwise complies with the other investment guidelines of the REIT adopted from time to time in accordance with the Contract of Trust and the guidelines set out herein;

(ii) the immovable hypothec or mortgage is an immovable hypothec or mortgage registered on title to the immovable property which is security therefor; and

(iii) the aggregate value of the investments of the REIT in these instruments, after giving effect to the proposed investment, will not exceed 20% of the adjusted Unitholders' equity (calculated in accordance with the Contract of Trust).

h) Except as otherwise prohibited in the Contract of Trust, the REIT may invest in immovable hypothecs or mortgages which are not first ranking for the purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such hypothec or mortgage as part of a method for subsequently acquiring an interest in or control of an immovable property or a portfolio of properties.

i) The REIT may invest an amount (which, in the case of an amount invested to acquire immovable property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of the adjusted Unitholders' equity (calculated in accordance with the Contract of Trust) in investments which do not comply with the investment guidelines herein, but always subject to the provisions of Section 2.9 and subsection 6.1.1 of the Contract of Trust.

For the purpose of the foregoing guidelines, the properties, assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture arrangement or a limited partnership. Except as specifically set forth in the Contract of Trust to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be

determined as at the date of investment by the REIT, but always subject to the provisions of Section 2.9 and subsection 6.1.1 of the Contract of Trust, and thus be constantly monitored for the purposes of the latter provisions.

Operating Policies

The operations and affairs of the REIT shall be conducted in accordance with the following policies, the whole subject to paragraph (a) of the investment guidelines above and Section 2.9 of the Contract of Trust:

a) The REIT shall not purchase, sell, market or trade in currency or interest rate future contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 Mutual Funds of the Canadian Securities Administrators, as amended or replaced from time to time.

b) Any written instrument creating an obligation which is or includes the granting by the REIT of an hypothec or mortgage, and to the extent the Trustees determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of immovable property.

c) In addition to the provisions of paragraph f) of the Investment Guidelines above, the REIT may engage in construction or development of immovable property in order to maintain its immovable properties in good repair or to enhance the income-producing potential of properties that are capital property of the REIT.

d) The title to each immovable property shall be held by and registered in the name of the Trustees or, to the extent permitted by applicable law, in the name of the REIT or a corporation or other entity wholly-owned by the REIT or jointly by the REIT with joint venturers or a corporation which is a nominee of the REIT which holds a registered title to such immovable property pursuant to a nominee agreement with the REIT.

e) The Trust shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total consolidated indebtedness of the REIT would be more than 70% of the Gross Book Value. For the purposes of this paragraph, the term “indebtedness” means any obligation of the REIT for borrowed money (excluding Units, the Class B LP Units, Class C LP Units, options and rights granted under the Unit Option Plan, any premium in respect of indebtedness assumed by the REIT for which the REIT has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy), provided that:

   (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; and

(ii) indebtedness excludes trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business and short term acquisition credit facilities.

f) The REIT shall not, directly or indirectly, guarantee any indebtedness or liabilities of any kind of any person, except indebtedness or liabilities assumed or incurred by a person in which the REIT holds an interest, directly or indirectly and that will not disqualify the REIT as a "mutual fund trust" or a "real estate investment trust" within the meaning of Tax Act. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (a) in respect of obligations assumed by the REIT pursuant to the acquisition of immovable property or (b) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Contract of Trust.

g) The REIT shall obtain or have received an independent appraisal of each property or an independent valuation of a portfolio of properties that it intends to acquire and a property condition assessment with respect to the physical condition thereof, by an independent and experienced consultant.

h) The REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of Trust Property (as defined in the Contract of Trust) from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties.

i) The REIT shall have obtained or have received a Phase I environmental audit of each immovable property to be acquired by it conducted within twelve months of the date of acquisition and, if the Phase I environmental audit report recommends or recommended that a Phase II environmental audit be conducted, the REIT shall have conducted a Phase II environmental audit, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition, shall be satisfactory to the Trustees.

For the purpose of the foregoing policies, the properties, assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in immovable property will be deemed to include an investment in a joint venture. Except as specifically set forth to the contrary in the Contract of Trust, all of the foregoing prohibitions, limitations or requirements pursuant to the foregoing policies shall be determined as at the date of investment or other action by the REIT, but always subject to the provisions of Section 2.9 and subsection 6.1.1 of the Contract of Trust, and thus be constantly monitored for the purposes of the latter provisions.

Amendments to Investment Guidelines and Operating Policies

Subject to the provisions of Section 6.4 of the Contract of Trust, the investment guidelines set out in the Contract of Trust and the operating policies contained in paragraphs (a), (e), (f), (g), (h) and (i) above may be amended only by Special Resolution of Unitholders. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Regulatory Matters

If at any time a government or regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline of the REIT then in force (other than clause (a) of the investment guidelines above), such

guideline in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Trustees shall not require the prior approval of Unitholders.

Application of Investment Guidelines and Operating Policies

With respect to the investment guidelines and operating policies contained in Sections 6.1 and 6.2, of the Contract of Trust where any maximum or minimum percentage limitation is specified in any of the guidelines and policies therein contained, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment, the whole always subject to the provisions of Section 2.9 and subsection 6.1.1 of the Contract of Trust. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value or the amount of adjusted Unitholders' equity (calculated in accordance with the Contract of Trust) will not require divestiture of any investment.

Distribution Policy

Distributions

The REIT may proportionally distribute to Unitholders on each Distribution Date such amounts for the Distribution Period immediately preceding the month in which the Distribution Date falls (and in the case of the December 31st Distribution Date in respect of the Distribution Period for the month of December), as the Trustees determine in their discretion. Special Voting Units have no economic entitlement in the REIT and have no entitlement to any distributions from the REIT.

On the last day of each Taxation Year, an amount equal to the net income of the REIT for such Taxation Year, determined in accordance with the provisions of the Tax Act (other than paragraph 82(1)(b) and subsection 104(6) thereof), including any net realized capital gains (that was not already distributed or made payable to a Unitholder during the Taxation Year), shall, without any further action of the Trustees, be payable to Unitholders of record at the close of business on such day (whether or not such day is a Business Day), subject to any adjustments the Trustees consider reasonable, at their sole discretion.

The Trustees may designate and make payable any income or capital gains realized by the REIT as a result of the redemption of Units (including any income or capital gains realized by the REIT on the redemption of Units *in specie*) pursuant to Section 7.17 of the Contract of Trust to the redeeming Unitholders in accordance with subsection 7.17.7(g) of the Contract of Trust.

Distributions, if any, payable to Unitholders pursuant to Article 11 of the Contract of Trust shall be deemed to be distributions of income of the REIT (including dividends), net realized taxable capital gains of the REIT, capital or other items in such amounts as the Trustees, in their absolute discretion determine and shall be allocated to the Unitholder in the same proportions as distributions received by the Unitholder, subject to the discretion of the Trustees to adopt an allocation method which the Trustees consider to be more reasonable in the circumstances, including in accordance with subsection 7.17.7(g) of the Contract of Trust. For greater certainty, any distribution of net realized capital gains of the REIT shall include the non-taxable portion of the capital gains of the REIT which are included in such distribution.

Distributions, if any, shall be made on a Distribution Date proportionately to persons who are Unitholders as of the close of business on the record date for such distribution which shall be the last Business Day of the month immediately preceding the month in which the Distribution Date falls or such other date, if any, as is fixed by the Trustees in accordance with Section 8.7 of the Contract of Trust.

Each Taxation Year, the REIT may deduct such amounts as are paid or payable to Unitholders for the Taxation Year as is necessary to ensure that the REIT is not liable for income tax under Part I of the Tax Act in the related Taxation Year.

Distributions, if any, may be adjusted for amounts paid in prior periods if the actual distributions for the prior periods is greater than or less than the estimates for the prior periods.

The Contract of Trust expressly provides that a Unitholder shall have the legal right to enforce payment of any amount which is stated to be "payable" to a Unitholder hereunder at the time such amount is made payable

Allocation

Unless the Trustees otherwise determine, the: (a) net income of the REIT for a Taxation Year, determined in accordance with the provisions of the Tax Act (other than paragraph 82(l)(b) and subsection 104(6)), and (b) net realized capital gains of the REIT payable to Unitholders shall be allocated to the Unitholders for the purposes of the Tax Act in the same proportion as the total distributions made to Unitholders in the Taxation Year under Section 11.1 of the Contract of Trust. The Trustees shall in each year make such other designations for tax purposes in respect of distributions that the Trustees consider to be reasonable in all of the circumstances.

Payment of Distributions

Subject to subparagraph 7.17.7(g) of the Contract of Trust, distributions shall be made by cheque payable to or to the order of the Unitholder or by electronic fund transfer or by such other manner of payment approved by the Trustees from time to time. The payment, if made by cheque, shall be conclusively deemed to have been made upon hand-delivery of a cheque to the Unitholder or to his agent duly authorized in writing or upon the mailing of a cheque by prepaid first-class mail addressed to the Unitholder at his address as it appears on the register of Unitholders unless the cheque is not paid on presentation.

The Trustees shall deduct or withhold from distributions payable to any Unitholder all amounts required by law to be withheld from such distribution and the REIT shall remit such taxes to the appropriate governmental authority within the times prescribed by law. Unitholders who are Non-Residents will be required to pay all withholding taxes payable in respect of any distributions of income by the REIT, whether such distributions are in the form of cash or additional Units. In the event of a distribution in the form of additional Units, the Trustees may sell Units of such Unitholder to pay the withholding taxes and to pay all of the Trustees' reasonable expenses with regard thereto and the Trustees shall have the power of attorney of such Unitholder to do so. Any such sale shall be made on any stock exchange on which the Units are then listed and upon such sale, the affected Unitholder shall cease to be the holder of such Units.

If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include, at the option of the Trustees, the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

Designations

The Trustees shall make such designations, determinations and allocations for income tax purposes in respect of amounts paid or payable to Unitholders for such amounts that the Trustees consider to be reasonable, including, without limitation, designations relating to taxable dividends received by the REIT in the year on shares of taxable Canadian corporations, net taxable capital gains of the REIT in

the year and foreign source income of the REIT for the year. Where permitted by the Tax Act, the Trustees will make designations under the Tax Act so that the amount distributed to a Unitholder but not deducted by the REIT would not be included in the Unitholder's income for the purposes of the Tax Act.

Distribution Reinvestment and Unit Purchase Plan

The Trustees may, subject to receipt of all regulatory approvals, in their sole discretion establish one or more distribution reinvestment plans or Unit purchase plans or Unit option plans at any time providing for the voluntary investment by Unitholders of distributions. Such plan may entitle those Unitholders that elect to participate to a bonus distribution as a reduction of capital of the REIT

BLF LP

The following is a summary of the material attributes and characteristics of BLF LP and the partnership units which will be issued under the BLF LP Agreement. This summary is qualified in its entirety by reference to the provisions of the BLF LP Agreement which contains a complete statement of those attributes and characteristics.

General

BLF LP is a limited partnership created under the laws of the Province of Québec pursuant to the BLF LP Agreement to carry on the business of owning and operating multi-residential rental properties and ancillary businesses and, in connection with such business, to own, operate and lease assets and property, to manage and make investments and hold direct or indirect rights in companies or other entities involved in the multi-residential rental business and to engage in all activities ancillary and incidental thereto.

The General Partner

The general partner of BLF LP is the General Partner, a corporation existing under the laws of the Province of Québec and a wholly-owned Subsidiary of the REIT.

In its capacity as general partner of BLF LP, the General Partner will have exclusive authority to manage the business and affairs of BLF LP, to make all decisions regarding the business of BLF LP and to bind BLF LP in respect of any such decisions. The General Partner will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of BLF LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the General Partner to manage the business and affairs of BLF LP includes all authority necessary or incidental to carry out the objects, purposes and business of BLF LP, including, without limitation, the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of BLF LP and its business.

Capitalization

BLF LP may issue an unlimited number of Class A LP Units, Class B LP Units, Class C LP Units and an unlimited number of LP Units of any other class (as the same may be created and issued from time to time by the General Partner) to any person. The BLF LP Agreement authorizes the General Partner to cause BLF LP to issue additional LP Units of any class for any consideration and on any terms and conditions as are established by the General Partner from time to time, provided that no newly-created class of LP Units may have any preference or right in any circumstances over Class B LP Units.

Class B LP Units held by the Electing Shareholders will be exchangeable into Units in accordance with the terms of the BLF LP Agreement and the Exchange Agreement. Class A LP Units and Class B LP Units will have economic rights that are equivalent in all respects, except as otherwise described herein and will rank equally on dissolution, liquidation or winding-up of BLF LP. Except as required by law and in certain specified circumstances in which the rights of a holder of Exchangeable LP Units are affected, holders of Exchangeable LP Units will not be entitled to vote at any meeting of the holders of LP Units. Class B LP Units are, and other classes of LP Units that may be exchangeable for Units from time to time will be, non-transferable, except in connection with an exchange for Units. See "BLF LP — Exchangeable LP Units". Class C LP Units will not be entitled to vote at any meeting of the holders of LP Units. The Class C LP Units are redeemable at the demand of its holders at any time at the prices equal to the fair market value of the assets contributed to BLF LP (net of the value of any other consideration received).

Distributions

BLF LP currently intends to make monthly cash distributions to holders of record of LP Units on the last Business Day of each distribution period of BLF LP. A distribution period of BLF LP will be a calendar month. In addition, the General Partner will be entitled to minor distributions in proportion to its 0.01% interest in BLF LP, up to a maximum amount of $1,000 per fiscal year. Distributions are intended to be paid on or before the 15th day of the calendar month following the distribution period to which they relate.

Distributions or advances on the Exchangeable LP Units are intended to be received by holders of such units at the same time as distributions on Units are received by Unitholders. BLF LP may, in addition, make any other distribution (including a distribution in respect of Class A LP Units only for the purpose of funding expenses of the REIT) from time to time. Distributions or advances to be made to holders of Exchangeable LP Units will be, to the greatest extent practicable, economically equivalent to the cash distributions made to the Unitholders.

Distributions, in respect of any Distribution Period, will consist all or any part of the cash flow of BLF LP for such period, plus any additional cash on hand at the end of such Distribution Period (to the extent the board of directors of the General Partner reasonably determines to include such cash in distributable cash), plus any additional amounts that the board of directors of the General Partner approves for distribution, which amount is to be distributed by BLF LP in respect of such Distribution Period, as determined by, or in accordance with guidelines established from time to time by, the board of directors of the General Partner on or before the date of payment of distributions in respect of the Distribution Period.

Exchangeable LP Units

Exchangeable LP Units are intended to be, to the greatest extent practicable, the economic equivalent of Units. Holders of the Exchangeable LP Units are entitled to receive distributions paid by BLF LP, which distributions or advances will be equal to, to the greatest extent practicable, to the amount of distributions paid by the REIT to Unitholders. Pursuant to the Arrangement, certificates representing each Class B LP Unit will be issued together with a Special Voting Unit entitling the holder to one vote at all meetings of Voting Unitholders for each Special Voting Unit held, subject to the customary anti-dilution adjustments set out in the Contract of Trust. Each Exchangeable LP Unit is indirectly exchangeable for one Unit. **Exchangeable LP Units may not be transferred except in connection with an exchange for Units or those certain limited exceptions set out in the BLF LP Agreement. The Exchangeable LP Units will not be listed on the Exchange or on any other stock exchange or quotation system. Although Exchangeable LP Units are intended, to the greatest extent practicable, to be economically equivalent to Units, there are certain tax consequences to holders of Exchangeable LP Units, some of which may be adverse.**

Shareholders who intend to elect to receive Exchangeable LP Units in connection with the Arrangement should consult with their tax advisors.

Exchange Rights

Pursuant to the Exchange Rights and the terms of the Exchange Agreement, holders of Exchangeable LP Units will be entitled to require the REIT to exchange any or all of the Exchangeable LP Units held by such holder for an equal number of Units, subject to the customary anti-dilution adjustments set out in the Exchange Agreement. Holders of Exchangeable LP Units may effect such exchange by presenting a certificate or certificates to Computershare Investor Services Inc., the transfer agent of the REIT (the **"Transfer Agent"),** representing the number of Exchangeable LP Units the holder desires to exchange together with such other documents as BLF LP, the REIT, and the Transfer Agent may require to effect the exchange. The Transfer Agent will deliver the aggregate number of Units for which Exchangeable LP Units are exchanged. Concurrent with the exchange of each Exchangeable LP Unit for a Unit, the related Special Voting Unit will be cancelled. See "Exchange Agreement".

Distribution Rights

Distributions to be made to holders of Exchangeable LP Units will be, to the greatest extent practicable, economically equivalent to the cash distributions made to the Unitholders. Without limiting the generality of the foregoing, holders of Exchangeable LP Units will be entitled to receive, subject to applicable law, distributions:

- in the case of a cash distribution declared on the Units, an amount in cash for each Exchangeable LP Unit corresponding to the cash distribution declared on each Unit; or

- in the case of a distribution declared on the Units in property (other than (i) cash, or (ii) a distribution of Units and immediate consolidation thereafter such that the number of outstanding Units both immediately prior to and following such transaction remains the same), in such type and amount of property as is the same as, or economically equivalent to (as determined by the board of directors of the General Partner, in good faith and in its sole discretion), the type and amount of property declared as a distribution on each Unit.

However, there are consequences related to the ownership of Exchangeable LP Units that differ from the consequences of owning Units. See "Risk Factors".

Voting Rights

The holders of Class A LP Units will have the right to exercise 100% of the votes in respect of all matters to be decided by the limited partners of BLF LP, and the holders of Exchangeable LP Units will not have the right to exercise any votes in respect of such matters except in certain limited circumstances. The REIT will be the initial holder of Class A LP Units. The holders of Exchangeable LP Units are not entitled, as such, to receive notice of or to attend any meeting of limited partners of BLF LP or to vote at any such meeting. Pursuant to the Arrangement, each of the holders of Exchangeable LP Units will receive one Special Voting Unit for each Exchangeable LP Unit held. Each Special Voting Unit will, initially, entitle the holder to one vote at meetings of Voting Unitholders, subject to the customary anti-dilution adjustments. Each Special Voting Unit is intended to be, to the greatest extent practicable, the voting equivalent of Units and accordingly, will entitle the holders thereof to a number of votes at any meeting of Voting Unitholders equal to the number of Units which may be obtained upon the exchange of the Exchangeable LP Unit (or other Exchangeable Security) to which the Special Voting Unit relates. However, other than voting rights, the holders of Special Voting Units will have no rights (whether as to distributions or otherwise, other than the right to receive nominal consideration on a redemption thereof) in respect of the Fund. Special Voting Units

will be evidenced only by the certificates representing the Exchangeable LP Units to which they relate and will be non-transferable. Upon exchange of Exchangeable LP Units for Units, the corresponding Special Voting Units will be redeemed for nominal consideration and cancelled.

Allocation of Net Income and Losses

Income or loss for tax purposes of BLF LP for a particular fiscal year will generally be allocated to each partner as follows:

a) to the General Partner in an amount equal to 0.01% of the income or loss for tax purposes of BLF LP, up to a maximum amount of $1,000 per fiscal year; and

b) to the limited partners:

   (i) such amount as is necessary to account for expenses incurred by the REIT as determined by the General Partner; and

   (ii) to the holders of Class C LP Units, an amount equal to 4%/12 of the redemption amount the Class C LP Units;

   (iii) to the holders of the Class A LP Units and the holders of Class B LP Units, the percentage of any residual amount based on the percentage of LP Units held by each of them and with reference to the monthly distributions payable by the REIT in accordance with the Contract of Trust, to ensure the holders of Class B LP Units receive an amount equal to the distribution that such holders of Class B LP Units would have received from the REIT as holder of REIT Units, as computed and determined by the General Partner. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by BLF LP to that partner.

Income and loss of BLF LP for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

Limited Liability

BLF LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may choose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the General Partner in performing its duties and obligations under the BLF LP Agreement, the General Partner has agreed to indemnify each of the limited partners against all claims arising from assertions that each of its liability is not limited as intended by the BLF LP Agreement. However, since the General Partner has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

The LP Units are not transferable, except, in the case of Exchangeable LP Units, in connection with the exercise of the Exchange Rights, and in those certain limited exceptions set out in the BLF LP Agreement.

Excluded Persons

At no time may a holder of partnership units of BLF LP be an Excluded Person. Shareholders or other Persons that acquire Exchangeable LP Units will be required to covenant, agree and undertake to immediately notify the General Partner that the holder of partnership units has become an Excluded

Person. The General Partner will be entitled at any time to request from any holder of partnership units of BLF LP evidence that is satisfactory to the General Partner that such holder has not become an Excluded Person. In the event that a holder of partnership units has become an Excluded Person in contravention of the foregoing restrictions, the holder of the Exchangeable LP Units shall be deemed to have ceased to be a partner with effect immediately before the date of contravention and to have exchanged such holder's Exchangeable LP Units into the applicable number of Units at that time. Any such holder will not be entitled to any distributions from such time.

Meetings

The General Partner may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Class A LP Units. A quorum at a meeting of partners consists of one or more partners present in person or by proxy.

Amendment

The BLF LP Agreement may be amended with the prior consent of the holders of at least two-thirds of the LP Units entitled to vote thereon voted on at a duly constituted meeting or by a written resolution of partners holding all the LP Units which would have been entitled to vote at a duly constituted meeting (a **"BLF LP Special Resolution"**), except for certain amendments, which require unanimous approval of holders of LP Units entitled to vote thereon, including: (i) the limited partners changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting; or (iii) changing BLF LP from a limited partnership to a general partnership.

Notwithstanding the foregoing:

- no amendment which would adversely affect the rights and obligations of the General Partner, as general partner, may be made without its consent;

- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners may be made without the consent of that partner; and

- the General Partner may make amendments to the BLF LP Agreement to reflect: (i) a change in the name of BLF LP or the location of the principal place of business of BLF LP or the registered office of BLF LP; (ii) a change in the governing law of BLF LP to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the BLF LP Agreement; (iv) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of BLF LP as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to enable BLF LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the BLF LP Agreement which may be defective or inconsistent with any other provision contained in the BLF LP Agreement or which should be made to make the BLF LP Agreement consistent with the disclosure set out in this Information Circular; or (vii) a change to create a new class of LP Units in compliance with the BLF LP Agreement.

Reimbursement of the General Partner

BLF LP will reimburse the General Partner, as the general partner of BLF LP, for all direct costs and expenses incurred by it in the performance of its duties on behalf of BLF LP, under the BLF LP Agreement.

EXCHANGE AGREEMENT

Exchange Rights

On Closing, the REIT, BLF LP and the General Partner will enter into the Exchange Agreement, pursuant to which each other holder of Class B LP Units will be granted the right to require the REIT to exchange each Class B LP Unit (together with a Special Voting Unit) for one Unit, subject to customary anti-dilution adjustments. Collectively, the exchange rights granted by the REIT are referred to as the "exchange right".

A holder of a Class B LP Unit will have the right to initiate the exchange procedure at any time so long as all of the following conditions have been met:

a) the exchange would not cause the REIT to breach the restrictions respecting non-resident ownership contained in the REIT's Contract of Trust as described under "Contract of Trust — Limitation on Non-Resident Ownership" or otherwise cause it to cease to be a "mutual fund" or "real estate investment trust" trust for purposes of the Tax Act or create a substantial risk of either such cessation;

b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange rights; and

c) the Person receiving the Units upon the exercise of the exchange rights complies with all applicable securities laws.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

To the best of the knowledge of the Directors and the Executive Officers of the Corporation, except as set out herein and except insofar as they may be Shareholders of the Corporation, no Director or Executive Officer of the Corporation, nor any proposed nominee for election to the office of Director of the Corporation, nor any associate or affiliate of the foregoing persons, has a material interest, directly or indirectly, by way of beneficial ownership or otherwise, in the matters to be acted on at the Meeting.

RISK FACTORS

The following are certain factors relating to the business of the REIT, assuming completion of the Arrangement, which factors investors should carefully consider when making a decision concerning the matters to be voted on at the Meeting or an investment decision concerning Shares or Units. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere and incorporated by reference in this Information Circular. These risks and uncertainties are not the only ones that will face the REIT after the Effective Time. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the operations of the REIT. If any such risks actually occur, the financial condition, liquidity and results of operations of the REIT could be materially adversely affected and the ability of the REIT to implement its growth plans could be adversely affected.

In this "Risk Factors" section of the Information Circular, unless the context otherwise requires, references to the "REIT" are to the REIT and its Subsidiaries, on a consolidated basis.

Risks Relating to Real Property Ownership

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of the properties. The properties generate revenue through rental payments made by the tenants thereof. The ability to rent unleased suites in properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. Cash available for distribution will be adversely affected if a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be leased on economically favourable lease terms. If properties do not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, the REIT's results from operations and ability to make distributions to Unitholders will be adversely affected.

Residential tenant leases are relatively short, exposing the REIT to market rental-rate volatility. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant will be replaced. The terms of any subsequent lease may be less favourable to the REIT than those of an existing lease.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the acquisition properties or revenues to be derived therefrom. Reported estimated market rents can be seasonal and the significance of any variations from quarter to quarter would materially affect the REIT's annualized estimated gain-to-lease amount. There can be no assurance that upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues and it may take a significant amount of time for market rents to be recognized by the REIT due to internal and external limitations on its ability to charge these new market-based rents in the short term.

Government Regulation and Environmental Matters

Rent Control Risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets the Corporation operates, which may have an adverse impact on the Corporation's operations. Québec currently has rent control legislation and is the only market in which the Corporation operates.

Québec has a notice requirement in respect of rent increases, and if no such notice is sent, a tenancy lease is renewed automatically on the same terms and conditions as were previously applicable. At the renewal of the lease, the landlord may modify the terms and conditions of the lease, but only if a notice of modification is given in writing at least three, but not more than six, months prior to the expiration of a given lease. If the term of the lease is less than twelve months, the notice must be given at least one, but not more than two, months before the end of the lease term. The notice must, among other things, clearly indicate the amount of the proposed increase in actual dollars or as a percentage. A tenant has one month from the receipt of the landlord’s notice to notify the landlord in writing that the tenant objects to the proposed modification. A tenant’s silence is deemed acceptance of the proposed modification. Where a tenant refuses any such modification, the landlord may, within one month of receipt of tenant’s notice of refusal, bring an application to the *Régie du logement* [Québec Rental Board] which reviews such matters on a case by case basis. Although Québec does

not limit the amount of rent payable by residential tenants, it does, however, apply the applicable regulation respecting the criteria, which includes taxes, operating expenses and repairs, to fix the maximum allowable annual rental increases. The *Régie du logement*'s decision is final unless there is an application filed by landlord or tenant for review of the decision on the basis of error in the interpretation or application of the law. The application to appeal must be filed within one month from the date of the decision.

The REIT is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property and the operation of multi-residential rental properties. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a facility and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such facility or to borrow using such facility as collateral. In addition, in connection with the ownership, operation and management of real properties, the REIT could potentially be liable for property damage or injuries to persons and property.

In order to assess the potential for liabilities arising from the environmental condition at the properties, the REIT may obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the acquisition properties have not revealed, nor is the REIT aware of, any environmental liability that the REIT believes will have a material adverse effect on it. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any facility did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to the properties.

Substitutions for Residential Rental Suites

Demand for the REIT's residential rental properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. In the last several years, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental properties may be adversely affected. A reduction in the demand for rental properties may have an adverse effect on the REIT's ability to lease suites in its properties and on the rents charged. This in turn may have an adverse effect on the REIT's business, financial condition and results of operations and distributions.

Competition

The real estate business is competitive. Numerous developers, managers and owners of properties compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the REIT's tenants could have an impact on the REIT's ability to lease suites in its properties and on the rents charged. This in turn may have an adverse effect on the REIT's business, financial condition and results of operations and distributions. The REIT is subject to competition for suitable real property investments with individuals, corporations and institutions (both Canadian and foreign) and other real estate investment trusts which are presently seeking, or which may seek in the future, real property investments similar to those targeted by the REIT. A number of

these investors may have greater financial resources than those of the REIT, or operate without the investment or operating restrictions of the REIT or according to more flexible conditions. An increase in the availability of the investment funds, and an increase in interest in real property investments, may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. The REIT will seek to locate and complete property purchases that are accretive to AFFO per Unit. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Illiquidity

Real estate investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to need to liquidate a property, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property. In addition, by concentrating on multi-residential rental properties, the REIT is exposed to the adverse effects on that segment of the real estate market and will not benefit from a diversification of its portfolio by property type.

Uninsured Losses

The Contract of Trust requires that the REIT obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, the affected property, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such properties. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the insurance coverage could have a material adverse effect on the REIT's business, financial condition or results of operations and distributions.

Risk of Natural Disasters

While the REIT has insurance coverage for all of its properties, the insurance coverage may have deductible amounts and may not cover all natural disasters which may occur to the properties. Floods, hurricanes, storms, earthquakes, terrorism, or other natural disasters may significantly affect the REIT's operations and properties, and may cause the REIT to experience reduced rental revenue, incur clean-up costs or otherwise incur costs in connection with these natural disasters. These events may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and ability to make cash distributions to its Unitholders.

Fixed Costs and Increased Expenses

The REIT incurs a number of fixed costs which must be made through its ownership of real property, regardless of whether its properties are producing income. Fixed costs such as utilities, property taxes, maintenance costs, mortgage payments, insurance costs, and related costs, may have a material adverse effect on the REIT's business, cash flows, financial condition, and results of operations if the REIT cannot maintain or increase its average monthly rental rates and occupancy levels. It is possible that a mortgagee would exercise its rights of foreclosure or sale should the REIT be unable to meet its mortgage payments on its properties.

The timing and amount of fixed costs incurred by the REIT may limit its cash flows in any particular period. As a result, cash distributions to Unitholders may be postponed, reduced, or even eliminated, in times where the REIT requires cash to make significant capital or other expenditures.

Interest Rate Risk

The REIT may be subject to higher interest rates in the future, given the current economic climate. The REIT may also be unable to renew its maturing debt either with an existing or a new lender, and if it's able to renew its maturing debt, significantly lower loan-to-value ratios may be used. The REIT will seek to manage this risk by negotiating fixed interest rates where possible.

Risks Relating to the Business of the REIT and its Affiliates

Dependence on the Partnerships

The REIT is an unincorporated open-ended real estate investment trust which will be entirely dependent on the operations and assets of its Partnerships. Cash distributions to Unitholders will be dependent on, among other things, the ability of Partnerships to make cash distributions in respect of the LP Units. Partnerships are separate and distinct legal entities. The ability of Partnerships to make cash distributions or other payments or advances will depend on the Partnerships' results of operations and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of Partnerships.

Acquisitions

The REIT's strategy includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future.

Insurance Renewals

There is a possibility that the REIT may not be able to renew its current insurance policies or obtain new insurance policies in the future for its properties once they expire. The current terms and levels of coverage may not be available to the REIT for property and casualty insurance, as well as insurance against natural disasters. In addition, the premiums that insurance companies may charge in the future may be significantly greater than they are currently. If the REIT is unable to obtain adequate insurance for its properties, the REIT could be in default under certain contractual commitments that it has made. The REIT may also be subject to a greater risk of not being covered should damages to its properties occur, therefore affecting the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to its Unitholders.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, the REIT may not be able to

borrow funds due to the limitations set forth in the Contract of Trust. In addition, global financial markets have experienced a sharp increase in volatility during recent years. This has been,

in part, the result of the re-valuation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. It is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, on refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favourable terms to the REIT. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. As well, the degree of leverage could affect the REIT's ability to obtain additional financing in the future.

Derivatives Risks

The REIT may invest in and use derivative instruments, including futures, forwards, options and swaps, to manage its utility and interest rate risks inherent in its operations. There can be no assurance that the REIT's hedging activities will be effective. Further, these activities, although intended to mitigate price volatility, expose the REIT to other risks. The REIT is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the REIT of margin deposits in the event of the bankruptcy of the dealer with whom the REIT has an open position in an option or futures or forward contract. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these contracts involves judgment and use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts. The ability of the REIT to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the REIT is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the REIT's ability to use derivative instruments to effectively hedge its utility and interest rate risks.

Potential Conflicts of Interest With Trustees

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. The Contract of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of Independent Trustees only.

General Insured and Uninsured Risks

The REIT will carry comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. The REIT may obtain insurance for earthquake risks, subject to certain policy limits, deductibles, and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. Should an uninsured or underinsured loss occur, the REIT could lose its

investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties which would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Claims against the REIT, regardless of their merit or eventual outcome, also may have a material adverse effect on the General Partner's ability to attract tenants or expand the REIT's business, and will require management to devote time to matters unrelated to the operation of the business.

Internal Controls

Effective internal controls are necessary for the REIT to provide reliable financial reports and to help prevent fraud. Although the REIT will undertake a number of procedures and the General Partner will implement a number of safeguards, in each case, in order to help ensure the reliability of the REIT's financial reports, including those imposed on the REIT under Canadian securities law, the REIT cannot be certain that such measures will ensure that the REIT will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the REIT's results of operations or cause it to fail to meet its reporting obligations. If the REIT or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market' s confidence in the REIT's consolidated financial statements and harm the trading price of the Units.

Litigation Risks

In the normal course of the REIT's operations, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the REIT and as a result, could have a material adverse effect on the REIT's assets, liabilities, business, financial condition and results of operations. Even if the REIT prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the REIT's business operations, which could adversely affect its financial condition.

Risks Related to the Structure of the REIT

Reliance on External Sources of Capital

Because the REIT expects to make regular cash distributions as a real estate investment trust, it likely will not be able to fund all of its future capital needs, including capital for acquisitions and facility development, with income from operations. The REIT therefore will have to rely on third-party sources of capital, which may or may not be available on favourable terms, if at all. The REIT's access to third-party sources of capital depends on a number of things, including the market' s perception of its growth potential and its current and potential future earnings. If the REIT is unable to obtain third-party sources of capital, it may not be able to acquire or develop facilities when strategic opportunities exist, satisfy its debt obligations or make regular distributions to Unitholders.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Subsidiary Notes which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities, and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Subsidiary Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

Regulatory approvals will be required in connection with the distribution of Subsidiary Notes in specie to Unitholders in connection with a redemption.

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; and (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date.

Cash Distributions Are Not Guaranteed and May Fluctuate with the REIT's Performance

Although the REIT intends, to the extent possible, to make equal monthly cash distributions to the Unitholders, such cash distributions are not guaranteed and may fluctuate with its performance. The REIT will depend on revenue generated from the properties to make such distributions. There can be no assurance regarding the amount of revenue that will be generated by the properties. The amount of distributions will depend upon numerous factors, including the profitability of the properties, funds used to fund the REIT's growth initiatives, fluctuations in working capital, interest rates, capital expenditures, and other factors which may be beyond the control of the REIT. The cash distributions will be determined at the discretion of the Board of Trustees. The market value of the Units may deteriorate if the REIT is unable to continue its distribution levels in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Structural Subordination of Units

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the REIT and those subsidiaries before any assets are made available for distribution to the Unitholders. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the REIT and its subsidiaries. The REIT shall not incur or assume any Indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total indebtedness of the REIT would be more than 70% of the Gross Book Value, unless the Independent Trustees, in their discretion, determine that the maximum amount of indebtedness shall be based on the appraised value of the real properties of the REIT instead of Gross Book Value.

Unitholder Liability

The Contract of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with the holding of a Unit. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. It is intended that the affairs of the REIT will be conducted to seek to minimize such risk wherever possible.

Class B LP Units

Holders of Class B LP Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of BLF LP. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited

partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Class B LP Units may be liable beyond their contribution of capital and share of undistributed net income of BLF LP in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of BLF LP. Holders of Class B LP Units remain liable to return to BLF LP for such part of any amount distributed to them as may be necessary to restore the capital of BLF LP to the amount existing before such distribution if, as a result of any such distribution, the capital of BLF LP is reduced and BLF LP is unable to pay its debts as they become due.

Nature of Investment

A holder of a Unit or a Class B LP Unit will not hold a share of a body corporate. Unitholders or Class B LP Units will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of holders of Units and Class B LP Units will be based primarily on the Contract of Trust and the BLF LP Agreement, respectively. There is no statute governing the affairs of the REIT or BLF LP equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances.

Neither the Units nor the Class B LP Units will be "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act,* nor will they be insured under the provisions of that Act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Tax-Related Risks

Taxation Matters

Although, as of the date hereof, management of the REIT believes that the REIT will be able to meet the requirements of the REIT Exception throughout 2013, there can be no assurance that the REIT will be able to qualify for the REIT Exception in order for the REIT and the Unitholders not to be subject to the tax imposed by the SIFT Rules in future years. Please refer to the discussion under "Certain Canadian Federal Income Tax Consequences - Qualification as a Real Estate Investment Trust - SIFT Rules".

In the event the SIFT Rules apply to the REIT, the impact to the Unitholders will depend on the status of the holder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings" (as defined in the Tax Act), other income and returns of capital.

In the event the SIFT Rules apply to the REIT, the SIFT Rules may have an adverse impact on the REIT and the Unitholders, on the value of the Units, on the ability of the REIT to undertake financings and acquisitions and the distributable cash of the REIT may be materially reduced. The effect of the SIFT Rules on the market for the Units is uncertain.

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income trust (including a real estate investment trust such as the REIT) may be reduced on a pro rata basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. If the CRA's view were to apply to a Unitholder who borrowed money to invest in Units, part of the interest payable by such Unitholder in connection with money borrowed to acquire such Units could be non-deductible.

Class B LP Units

Subject to the Maximum Number of Class B LP Units, Shareholders (other than Excluded Shareholders) will be entitled to elect to transfer all or a portion of their Shares to BLF LP for consideration that includes Class B LP Units and Ancillary Rights rather than transferring such Shares to BLF LP in consideration for Units. For certain Shareholders, exchanging Shares for consideration that includes Class B LP Units may, based on their particular circumstances, provide for certain tax efficiencies. However, the use of such election is complicated and may not be appropriate for all Shareholders and could give rise to certain adverse tax consequences that are not discussed herein.

No opinion has been requested or obtained by the Corporation as to the tax consequences to a particular Shareholder of acquiring or holding Class B LP Units and the Corporation provides no representation as to the tax consequences of acquiring or holding Class B LP Units. Shareholders who are considering transferring Shares to BLF LP should consult their own legal and tax advisors with respect to the tax consequences associated with electing this alternative and the holding of Class B LP Units. Moreover, Class B LP Units will be subject to additional restrictions and limitations including: (i) restrictions on transferability; and (ii) restrictions on the exercise of the Exchange Rights. The Class B LP Units will not be listed on the TSXV or any other stock exchange or quotation system.

For Electing Shareholders that elect to receive Class B LP Units, the General Partner will make the necessary joint tax elections with such Shareholders. However, neither the General Partner nor BLF LP will be responsible for the proper completion or filing of any tax election and the Electing Shareholders will be solely responsible for the proper completion or filing of any tax election and the Electing Shareholders will be solely responsible for the payment of any taxes, interest, expenses, damages and late filing penalties resulting from the failure to properly complete or file a tax election in the form and manner and within the time prescribed by applicable tax legislation. The General Partner and BLF LP agree only to execute any properly completed tax election and to forward such election by mail (within 30 days after the receipt thereof by BLF LP) to the applicable Shareholder provided the Depositary receives the Letter of Transmittal and Election Form by the Election Deadline and any such tax election is received by BLF LP within 60 days following the Effective Date.

Availability of Cash Flow

Distributions made to Unitholders and holders of Class B LP Units may exceed actual cash available to the REIT from time to time because of items such as principal repayments, capital expenditures, seasonal fluctuations in operating results and redemption of Units, if any. The REIT may be required to borrow funds or reduce distributions in order to accommodate such items. The REIT may temporarily fund such items, if necessary, through an operating credit facility, to the extent that it is available.

Restrictions on Ownership of Units

The Contract of Trust imposes various restrictions on Unitholders. Non-resident Unitholders are prohibited from beneficially owning more than 49% of the Units (on a non-diluted and a fully-diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Unitholders, including Non-Residents of Canada and United States persons, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES

In the opinion of De Grandpré Chait LLP, counsel to the REIT and the Corporation, the following summary fairly presents, as of the date hereof, the principal Canadian federal income tax consequences generally applicable under the Tax Act to the transfer of shares in exchange for units, and the acquisition, holding and disposition of Units by Unitholders who acquires Units pursuant to the Arrangement except as provided below. This summary is applicable only to a Unitholder who, for purposes of the Tax Act and at all relevant times is, or is deemed to be, resident in Canada, deals at arm's length with and is not affiliated with the REIT, the Corporation or any person that such Unitholder subsequently sells or otherwise transfers Units to and holds Shares and Units as "capital property" (as defined in the Tax Act). Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make the irrevocable election under subsection 39(4) of the Tax Act to have their Units, and every other "Canadian security" (as defined in the Tax Act) owned in the taxation year of the election and each subsequent taxation year, deemed to be capital property. Such Unitholders should consult their own tax advisors regarding whether such election is available and advisable in their particular circumstances.

This summary is not applicable to a Unitholder: (i) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report its "Canadian tax results" in a currency other than Canadian currency (as each of those terms is defined in the Tax Act), (v) partnerships and other flow-through entities; (vi) trusts and estates; (vii) governments (or instrumentalities or agencies thereof); (viii) tax-exempt entities; (ix) insurance companies; (x) mutual funds; (xi) “real estate investment trusts”; (xii) Unitholders holding Units as part of a hedging or similar transaction; or (xiii) other Unitholders subject to special tax rules (as each of those terms is defined in the Tax Act). Any such Unitholders should consult their own tax advisors with respect to an investment in Units. Further, this summary does not address the tax consequences to Unitholders who borrow funds in connection with the acquisition of Units.

This summary is based upon the facts set out in this Information Circular, certain representations as to factual matters made in a certificate signed by an officer of the REIT and provided to counsel (the "**Officer's Certificate**"), the provisions of the Tax Act in force at the date hereof and counsel' s understanding of the current published administrative policies and assessing practices of the CRA. This summary takes into account the Tax Proposals and assumes that the Tax Proposals will be enacted as proposed but no assurances can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Information Circular. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of investing in Units.

This summary will address the principal Canadian federal income tax consequences applicable to a transfer of Shares in exchange for Units (the "Exchanged Shares"). This summary will not however address any Canadian federal income tax consequences applicable to a transfer of Shares to BLF LP in exchange for Class B LP Units. Furthermore, the income and other tax consequences of acquiring, holding or disposing of the Exchanged Shares or Units will vary depending on the holder's particular circumstances, including the province or provinces in which the holder of the Exchanged Shares or Units resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be

legal or tax advice to any Shareholder or prospective holder of Units. Investors should consult their own tax advisors with respect to the tax consequences of the Arrangement and the acquiring, holding or disposing of the Shares or Units based on their particular circumstances.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to (i) the "REIT" is a reference to BLF Real Estate Investment Trust only and is not a reference to any of its subsidiaries or predecessors, and (ii) a reference to a "Unitholder" is a reference to a holder of Units and not a holder of Special Voting Units.

Exchange of Exchanged Shares for Units

A Shareholder who exchanges some or all of its Exchanged Shares for Units pursuant to the Arrangement will be considered to have disposed of such Exchanged Shares for proceeds of disposition equal to the aggregate of the fair market value of the Units acquired by such Shareholder on the exchange.

A Shareholder will realize a "capital gain" (or "capital loss") (as each term is defined in the Tax Act) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the "adjusted cost base" (as defined in the Tax Act) to the holder of the Exchanged Shares. See the subheading below "Taxation of Unitholders - Capital Gains and Losses".

The cost to a holder of Units acquired in exchange for the Exchanged Shares will be the fair market value of such Exchanged Shares at the time of such exchange.

The Canadian federal income tax consequences applicable to a transfer of Shares to BLF LP in exchange for Class B LP Units is not discussed herein. **Investors contemplating such exchange should consult their own tax advisors with respect to the tax consequences of the Arrangement and the disposing of the Shares and the acquisition and holding of Class B LP Units based on their particular circumstances.**

Status of the REIT

Qualification as a Mutual Fund Trust

This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that the REIT has and will at all times comply with the Contract of Trust, that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a "mutual fund trust" (as defined in the Tax Act) from the time of its establishment, and that the REIT does and will continue to qualify as a "mutual fund trust" under the provisions of the Tax Act while the Units remain outstanding.

To qualify as a mutual fund trust, the REIT must, on a continuous basis, be a "unit trust" as defined in the Tax Act, must not be established or maintained primarily for the benefit of non-residents of Canada, and must restrict its undertaking to either: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property) or of any immovable (or real right in immovables) that is capital property of the REIT, or (iii) any combination of the activities described in (i) and (ii), and the REIT must comply with the prescribed conditions relating to a certain minimum requirements respecting the ownership and dispersal of Units. In the event that the REIT were not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax consequences described below would, in some respects, be materially different.

Qualification as a Real Estate Investment Trust

This summary is based on the assumption that the REIT qualifies, and will continue to qualify at all relevant times as a "real estate investment trust", as defined in the rules applicable to specified investment flow-through trust ("**SIFT Trust**") or specified investment flow-through partnership ("**SIFT Partnership**") (together referred as "**SIFTs**") in the Tax Act (the **"SIFT Rules"**) and that BLF LP and each direct or indirect subsidiary of the REIT qualifies, and will continue to qualify, at all relevant times, as an "excluded subsidiary entity" as defined for purposes of the SIFT Rules. If any of such assumptions is not accurate, certain income tax consequences described below would, in some respects, be materially different.

SIFT Rules

The SIFT Rules apply to "specified investment flow-through" trusts or partnerships ("**SIFTs**"), including publicly traded trusts, and their unitholders, and modify the tax treatment of SIFTs and of their unitholders, as more particularly described below under the heading "Application of the SIFT Rules". However, the SIFT Rules are not applicable to a trust if such trust qualifies as a "real estate investment trust" for the year (the "**REIT Exception**"). Therefore, if the REIT does not satisfy the REIT Exception throughout the year, the SIFT Rules will be applicable to the REIT. Furthermore, in order for the REIT to satisfy the REIT Exception, BLF LP must satisfy all of the tests comprising the REIT Exception apart from the "Publicly Listed or Traded Test" (as described below) on a stand-alone continuous basis. Management of the REIT is of the view that it has implemented internal controls to ensure that BLF LP satisfies the necessary tests.

The REIT Exception in the SIFT Rules (as currently enacted and as proposed to be amended) contains a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. Based on the advice of its external tax advisor, management has advised counsel that the REIT will qualify for the REIT Exception (as currently enacted and as proposed to be amended) at the time of Closing and that management expects the REIT to qualify for the REIT Exception (as currently enacted and as proposed to be amended) throughout the remainder of 2013 and subsequent taxation years. However, there can be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Exception. If the REIT fails to qualify for the REIT Exception, the REIT will be subject to the SIFT Rules and certain of the income tax considerations described below would, in some respects, be materially different. See "Application of the SIFT Rules" below.

The REIT Exception is applied on a taxation year basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

REIT Exception

Trusts that satisfy the REIT Exception are excluded from the definition of SIFT trusts and are therefore not subject to the SIFT Rules. On October 24, 2012, the Department of Finance tabled a Notice of Ways and Means Motion to amend the Tax Act (the "**October 24, 2012 Technical Bill**") in the House of Commons containing amendments to the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception. The October 24, 2012 Technical Bill was included in Bill C-48 *technical tax Amendments Act, 2012*, which received royal assent on June 26, 2013. Most of the amendments that were contained in the October 24, 2012 Technical Bill, which are generally relieving in nature, apply to the 2011 and subsequent taxation years and, in certain circumstances, to earlier taxation years. Consequently, the following conditions must now be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception:

a) at each time in the taxation year, the total fair market value at that time of all "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the fair market value at that time of all "non-portfolio properties" held by the trust;

b) not less than 90% of the trust's "gross REIT revenue" for the taxation year is from one or more of the following: "rent from real or immovable properties", interest, dispositions of "real or immovable properties" that are capital properties, dividends, royalties and dispositions of "eligible resale properties";

c) not less than 75% of the trust's "gross REIT revenue" for the taxation year is from one or more of the following: "rent from real or immovable properties", interest from mortgages, or hypothecs, on "real or immovable properties", and dispositions of "real or immovable properties" that are capital properties;

d) at each time in the taxation year an amount, that is equal 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a banker's acceptance, cash, a deposit in a bank or credit union, or debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions (except that for taxation years that end before 2013 the foregoing list of properties will not include "eligible resale properties" and will include any "real or immovable property" whether capital or not); and

e) investments in the trust are, at any time in the taxation year, listed or traded on a stock exchange or other public market (the "**Publicly Listed or Traded Test**").

The SIFT Rules contain specific rules generally permitting a trust to qualify for the REIT Exception where it holds properties indirectly through intermediate entities if each intermediate entity would satisfy the criteria (a) throughout (d) of the REIT Exception in its own right.

For the purpose of the SIFT Rules and the REIT Exception:

a) "eligible resale property", of an entity, means real or immovable property (other than capital property) of the entity, (i) that is contiguous to a particular real or immovable property that is capital property or eligible resale property, held by the entity or another entity affiliated with the entity, and (ii) the holding of which is ancillary to the holding of the particular property;

b) "gross REIT revenue" of an entity for a taxation year means the amount, if any, by which the total of all amounts received or receivable in the year (depending on the method regularly followed by the entity in computing the entity's income) by the entity exceeds the total of all amounts each of which is the cost to the entity of a property disposed of in the year;

c) "qualified REIT property" of a trust at any time means a property held by the trust that at that time is held by the trust and is:

   i) a "real or immovable property" (as described below) that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a banker's acceptance, cash, a deposit in a bank or credit union, or debt issued or guaranteed by the Canadian government or issued by a province, municipal government or certain other qualifying public institutions;

   ii) a security of a "subject entity" (as described below) all or substantially all of the gross REIT revenue of which for its taxation year that includes that time, is from

maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or an interest, including real or immovable properties that the trust, or an entity of which the trust holds a share or an interest, holds together with one or more other persons or partnerships;

iii) a security of a "subject entity" if the entity holds no property other than (A) legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust (including real or immovable property that the trust or the other subject entity holds together with one or more other persons or partnerships), and (B) property described in (iv) below;

iv) ancillary to the earning by the trust of gross REIT revenues from rents or dispositions of real or immovable properties that are capital properties, other than (A) an equity of an entity, or (B) a mortgage, hypothecary claim, mezzanine loan or similar obligation.

d) "real or immovable property" includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria (a), (b), (c) and (d) of the REIT Exception (as discussed above) and an interest in certain real property or a real right in certain immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by election) in capital cost allowance ("**CCA**") Class 1, 3 or 31, property ancillary to the ownership or utilization of such depreciable property or a lease or leasehold interest in respect of land or such depreciable property;

e) "rent from real or immovable properties" includes (A) rent or similar payments for the use of or right to use real or immovable properties and (B) payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include (C) any other payment for services supplied or rendered to the tenants of such properties, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and

f) "subject entity" means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership, or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception.

Application to the REIT

The REIT Exception is applied on an annual basis. Accordingly, even if the REIT does not qualify for the REIT Exception in a particular Taxation Year, it may be able to qualify in a subsequent Taxation Year. There can be no assurances, however, that the REIT will be able to restructure such that it will not be subject to the tax imposed by the SIFT Rules, or that any such restructuring, if implemented, would not result in material costs or other adverse consequences to the REIT and the Unitholders. The REIT intends to comply with the REIT Exception such that the SIFT Rules will not apply to the REIT's 2013 Taxation Year and subsequent Taxation Years. Although, as of the date hereof, management of the REIT believes, based on the advice of its external tax advisors, that the REIT will be able to meet the requirements of the REIT Exception throughout 2013, there can be no assurances that the REIT will be able to qualify for the REIT Exception such that the REIT and its Unitholders will not be subject to the tax imposed by the SIFT Rules in the REIT's 2013 Taxation Year or in future Taxation Years. To the extent that they are applicable to the REIT, the SIFT Rules may,

depending on the nature of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders. Generally, distributions that are characterized as returns of capital are not taxable to Unitholders but serve to reduce the adjusted cost base of a Unitholder's Units.

The likely effect of the SIFT Rules on the market for Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. In the event that the SIFT Rules apply to the REIT, they may adversely affect the after-tax returns of certain Unitholders, the marketability of the Units and the amount of cash available for distributions.

The remainder of this summary is subject to the SIFT Rules discussed above and assumes that the REIT is at all times eligible for the REIT Exception.

Taxation of the REIT

The Taxation Year of the REIT is the calendar year. Subject to the SIFT Rules, the REIT will generally be subject to tax under Part I of the Tax Act on its income for the Taxation Year, including net realized taxable capital gains for that year and its allocated share of income of BLF LP for its fiscal period ending on or before the year-end of the REIT, less the portion thereof that the REIT deducts in respect of the amounts paid or payable, or deemed to be paid or payable, in the Taxation Year to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the REIT or if the Unitholder is entitled in that year to enforce payment of the amount.

The REIT will generally also not be subject to tax on any amounts received as distributions from BLF LP. Generally, distributions to the REIT in excess of its allocated share of the income of BLF LP for a fiscal year will result in a reduction of the adjusted cost base of the REIT's Class A LP Units in BLF LP by the amount of such excess. If, as a result, the REIT's adjusted cost base at the end of a taxation year of its Class A LP Units in BLF LP would otherwise be a negative amount, the REIT would be deemed to realize a capital gain in such amount for that year and the REIT's adjusted cost base at the beginning of the next Taxation Year of its Class A LP Units in BLF LP would then be nil.

A distribution by the REIT of its property upon redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. The REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT to issue Units. The portion of the issue expenses deductible by the REIT in a taxation year is 20% of the total issue expenses, pro-rated where the REIT's taxation year is less than 365 days. Any losses incurred by the REIT (including losses allocated to the REIT by BLF LP and capable of being deducted by the REIT) may not be allocated to Unitholders, but may generally be carried forward and deducted in computing the taxable income of the REIT in future years in accordance with the detailed rules and limitations in the Tax Act (including the October 31 Proposals discussed below or any alternative proposal thereto).

On October 31, 2003 the Department of Finance (Canada) announced certain Tax Proposals relating to the deductibility of losses under the Tax Act (the "**October 31 Proposals**"). Under the October 31 Proposals, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be

expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 31 Proposals were to apply to the REIT, deductions that would otherwise reduce the REIT's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposals would be released for comment. No such alternative proposal has been released to date. There can be no assurance that such alternative proposal will not adversely affect the REIT.

Pursuant to the REIT's distribution policy, the Trustees currently intend to make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable to tax under Part I of the Tax Act in any year (alter taking into account any losses or capital losses that may be carried forward from prior years). See "Investment Guidelines and Operating Policies — Distribution Policy". Income of the REIT which is unavailable for cash distributions will be distributed to Unitholders in the form of additional Units.

Taxation of BLF LP

BLF LP is expected to qualify as an "excluded subsidiary entity" (as defined in the Tax Act) at all relevant times and, as a result, will not be subject to tax under the Tax Act (including under the SIFT Rules). Generally, each partner of BLF LP, including the REIT, is required to include in computing the partner's income, the partner's share of the income (or loss) of BLF LP for BLF LP's fiscal year ending in, or coincidentally with, the partner' s taxation year end, whether or not any such income is distributed to the partner in the taxation year. For this purpose, the income or loss of BLF LP will be computed for each fiscal year as if BLF LP were a separate person resident in Canada. In computing the income or loss of BLF LP, deductions may generally be claimed in respect of its administrative and other expenses (including interest in respect of debt of BLF LP) incurred for the purpose of earning income from business or property to the extent they are not capital in nature and do not exceed a reasonable amount and available capital cost allowances. Losses of BLF LP could be limited by the October 31 Proposals, discussed above, or any alternative proposal thereto. The income or loss of BLF LP for a fiscal year will be allocated to the partners of BLF LP, including the REIT, on the basis of their respective share of such income or loss as provided in the BLF LP Agreement, subject to the detailed rules in the Tax Act. Generally, distributions to partners in excess of the income of BLF LP for a fiscal year will result in a reduction of the adjusted cost base of the partner's units in BLF LP by the amount of such excess, as described above. If the adjusted cost base of a unit held in BLF LP is negative at the end of a fiscal period of BLF LP, the amount by which it is negative will be deemed to be a capital gain realized by the partner at that time and the adjusted cost base of such unit will be increased by the amount of the deemed gain.

Taxation of Unitholders

Distributions by the REIT

Subject to the application of the SIFT Rules discussed above, a Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for the taxation year ending on or before the particular taxation year-end of the Unitholder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional Units or otherwise. Distributions which are made through the issuance of additional Units pursuant to subsection 11.3.3 of the Contract of Trust may give rise to a taxable income inclusion for the Unitholders even if no cash has been distributed. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that the appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. See below under the subheading "Taxation of Unitholders — Capital Gains and Capital Losses".

The non-taxable portion of any net capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year, including any further distribution reinvested in Units under the DRIP, will not generally be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than the non-taxable portion of net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Unitholder) paid or payable to such Unitholder that was not included in computing the Unitholder's income. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and will be added to the adjusted cost base of the Unit so that the adjusted cost base will be reset to zero. The composition of distributions paid by the REIT, portions of which may be fully or partially taxable or non-taxable, may change over time, affecting the after-tax return to Unitholders.

To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to have been received by the REIT on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and dividend tax credit rules in respect of dividends designated by the corporation as "eligible dividends" will apply to Unitholders who are individuals (other than certain trusts). A Unitholder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and will generally be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including “private corporations” or “subject corporations” (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act at the rate of 33⅓ of such dividends to the extent that such dividends are deductible in computing taxable income.

Dispositions of Units

On any disposition or deemed disposition of a Unit (including a redemption), a Unitholder will generally realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder's "proceeds of disposition" (as defined in the Tax Act), excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Unitholder’s income as described herein, exceed (or are less than) the aggregate of the Unitholder’s adjusted cost base of the Unit immediately before such disposition and any reasonable costs of disposition. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition. The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit subject to certain adjustments. The cost to a holder of Units acquired in exchange for the Exchanged Shares will be the fair market value of such Exchanged Shares at the time of such exchange. The cost to a Unitholder of Units received in lieu of a cash distribution of income of the REIT will be equal to the amount of such distribution that is satisfied by the issuance of such Units. The cost of Units acquired on the reinvestment of distributions under the DRIP will be the amount of such investment. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Unitholder's Units as a result of the receipt of the further distribution reinvested in Units under the DRIP; however, the adjusted cost base per Unit will be reduced.

A redemption of Units in consideration for cash or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to such cash or the fair market value of such other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units to the extent that such income or capital gain is designated to the redeeming Unitholder.

Unitholders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether the proceeds of disposition received exceed, or are less than, the adjusted cost base of the Units redeemed. Where income or capital gain realized by the REIT in connection with the distribution of property *in specie* on the redemption of Units has been designated by the REIT to a redeeming Unitholder, the Unitholder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed *in specie* by the REIT to a Unitholder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

The consolidation of Units of the REIT will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain (a "**taxable capital gain**") realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of a Unitholder will be included in the Unitholder’s income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder on a disposition or deemed disposition of Units must generally be deducted from taxable capital gains of the Unitholder in the year of disposition as an allowable capital loss. Allowable capital losses realized in excess of taxable capital gains in a particular taxation year may generally be deducted against taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, subject to and in accordance with the provisions of the Tax Act.

A Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 ⅔% on certain types of income, including taxable capital gains.

Alternative Minimum Tax

In general terms, net income of the REIT paid or payable to a Unitholder, who is an individual, or a certain type of trust, that is designated as taxable dividends, net taxable capital gains and capital gains realized on the disposition of Units by such a Unitholder may increase the Unitholder's liability for alternative minimum tax under the Tax Act.

Dissenting Shareholders

If, on to the Arrangement, a Shareholder exercises Dissent Rights and receives the fair market value of the Shareholder's Shares, such Dissenting Shareholder will be considered to have disposed of the Shares for proceeds of disposition equal to the amount received by the Shareholder less the amount of any deemed dividend referred to below and any interest awarded by the Court. The Dissenting Shareholder will be deemed to receive a taxable dividend equal to the amount by which the amount received (other than in respect of interest awarded by the Court) exceeds the "paid-up capital" (as defined in the Tax Act) of such Shares. In the case of a Dissenting Shareholder that is a corporation, in some circumstances the amount of any such deemed dividend may be treated as proceeds of

disposition and not as a dividend. Any interest awarded to a Dissenting Shareholder by the Court will be included in the Dissenting Shareholder's income for the purposes of the Tax Act. Dissenting Shareholders should consult their own tax advisors concerning the tax consequences of an exercise of Dissent Rights.

Distribution Reinvestment Plan

For the purposes of determining the adjusted cost base to a Unitholder when a Unit is acquired, whether as a Unit acquired pursuant to the distribution reinvestment plan or otherwise, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all the Units owned by the Unitholder as capital property immediately before such acquisition for the purpose of determining the adjusted cost base of each Unit held by the Unitholder.

The cost of the Units acquired by reinvestment of distributions pursuant to the distribution reinvestment plan will be the amount of such income reinvested in Units. There will be no net increase or decrease in the aggregate adjusted cost base of all of a Unitholder's Units as a result of the receipt of the further distribution reinvested in Units under the DRIP; however, the adjusted cost base per Unit will be reduced. Furthermore, there will be no net increase or decrease in the adjusted cost base of all of the holder's Units as a result of the receipt of bonus Units under the Distribution Reinvestment Plan. However, the receipt of bonus Units will result in a per Unit reduction of the adjusted cost base of Units to the holder.

PROXY SOLICITATION INFORMATION

This Information Circular is furnished in connection with the solicitation of proxies by the management of the Corporation for use at the Meeting to be held at 2:30 p.m. on August 1, 2013 (Montreal time) at the Centre Mont-Royal, Room Mansfield no. 2, 2200 Mansfield Street, Montréal (Québec), and any adjournment thereof.

Solicitations of proxies will be primarily by mail, but may also be solicited personally or by telephone, facsimile, oral communication or in person by officers or directors of the Corporation, at a nominal cost. In accordance with National Instrument 54-101, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

Appointment of Proxies

The persons named in the accompanying instrument of proxy, Mathieu Duguay, or failing him, Daniel Blanchette (the "**Management Nominees**"), have been selected by the Board, and have indicated their willingness, to represent Shareholders who appoint them as their proxy for the Meeting.

A Shareholder has the right to designate a person (who need not be a Shareholder) other than the Management Nominees to represent him at the Meeting. Such right may be exercised by inserting in the space provided for that purpose on the enclosed instrument of proxy the name of the person to be designated and striking out the names of the Management Nominees, or by completing another proper instrument of proxy. Such Shareholder should notify the nominee of the appointment, obtain his consent to act as proxy and should provide instructions on how the Shares held by the Shareholder are to be voted. In any case, an instrument of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached where an attorney has executed the instrument of proxy.

Shareholders of record at the close of business on the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting and any adjournment thereof.

Shareholders unable to attend the Meeting in person are requested to complete, sign and date the accompanying form of proxy, and to return it, together with the power of attorney or other authority, if any, under which it was signed or a notarially certified copy thereof, to the Corporation' s transfer agent, Computershare Investor Services Inc., 100 University Street, 8th Floor, Toronto, Ontario, M5J 2Y1, or by fax at (416) 263-9524 or 1-866-249-7775. To be effective, proxies must be received by Computershare Investor Services Inc. not later than 5:00 p.m. (Montreal time) on the second last Business Day immediately preceding the date of the Meeting, or if the Meeting is adjourned, not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the adjourned Meeting, or any further adjournment thereof. Unregistered Shareholders who receive the proxy through an intermediary must deliver the proxy in accordance with the instructions given by such intermediary.

Revocation of Proxies

A Shareholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been held pursuant to its authority by an instrument in writing executed by the Shareholder or by the Shareholder' s attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized and deposited at either the above mentioned office of Computershare Investor Services Inc. by no later than 5:00 p.m. (Montreal time) on or before the second last Business Day preceding the day of the Meeting or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof. Notwithstanding the foregoing, if a registered Shareholder attends personally at the Meeting, such Shareholder may revoke the proxy and vote in person.

Advice to Beneficial Shareholders

In many cases, Shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

a) in the name of an intermediary that the Non-Registered Holder deals with in respect of the Shares. Intermediaries include banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or,

b) in the name of a depository (such as The Canadian Depository for Securities Limited or "**CDS**"). Non-Registered Holders do not appear on the list of shareholders of the Corporation maintained by the transfer agent.

In accordance with Canadian securities law, the Corporation has distributed copies of the Notice of Meeting, this Management Information Circular and the form of proxy (collectively, the "**meeting materials**") to CDS and intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward meeting materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, intermediaries will use a service company to forward the meeting materials to Non-Registered Holders. Non-Registered Holders, other than NOBOs, will receive either a voting instruction form or, less frequently, a form of proxy. The purpose of these forms is to permit Non-Registered Holders to direct the voting of the Shares they beneficially own. Non-Registered Holders should follow the procedures set out below, depending on which type of form they receive.

A. *Voting Instruction Form.* In most cases, a Non-Registered Holder will receive, as part of the meeting materials, a voting instruction form. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the

voting instruction form must be completed, signed and returned in accordance with the directions on the form. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the Holder' s behalf), the Non-Registered Holder must complete, sign and return the voting instruction form in accordance with the directions provided and a form of proxy giving the right to attend and vote will be forwarded to the Non-Registered Holder.

Or,

B. *Form of Proxy.* Less frequently, a Non-Registered Holder will receive, as part of the meeting materials, a form of proxy that has already been signed by the intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. If the Non-Registered Holder does not wish to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must complete the form of proxy and deposit it with the Corporation% registrar and transfer agent, Computershare Investor Services Inc., 1000 University Avenue, 9th Floor, Ontario, M5J 2Y1, as described above. If a Non-Registered Holder wishes to attend and vote at the Meeting in person (or have another person attend and vote on the holder's behalf), the Non-Registered Holder must strike out the names of the persons named in the proxy and insert the Non-Registered Holder' s (or such other person's) name in the blank space provided.

Non-Objecting Beneficial Owners

These meeting materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions or form of proxy delivered to you.

Voting of Proxies

The persons named in the accompanying form of proxy will vote the Shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing them. **In the absence of such direction, those Shares will be voted in favour of ("For") the Arrangement Resolution**.

Exercise of Discretion of Proxy

The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to any amendments or variations to matters identified in the Notice of Meeting and this Information Circular and with respect to matters that may properly come before the Meeting. As of the date of this Information Circular, management of the Corporation does not know of any amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting and this Information Circular.

ADOPTION OF THE UNITHOLDERS' RIGHTS PLAN

At the Meeting, assuming that the Shareholders approve the Arrangement, the Shareholders will be asked to consider and, if deemed advisable, to approve a resolution adopting a Unitholder's Right Plan (the "**Rights Plan**") for a term of three years. The Rights Plan must be reconfirmed at every third annual meeting of Unitholders of the REIT.

In accordance with the rules of the TSXV, the resolution adopting the Rights Plan must be approved by a majority of the votes cast by the Shareholders. The Corporation is not aware that any Shareholders would not be eligible to vote with respect to the adoption of the Rights Plan.

The Board has concluded that the adoption of the Rights Plan is in the best interests of the REIT and Unitholders and unanimously recommends that Shareholders vote IN FAVOUR OF this resolution.

The Shareholders will be asked to consider the following resolution and, if deemed advisable, to adopt it:

"BE IT RESOLVED THAT:

(A) The Rights Plan, to be entered into between the REIT and Computershare Investor Services Inc. as of August 20, 2013, and the issue of the rights pursuant to said Rights Plan, are hereby adopted; and

(B) Any director of the Corporation is hereby authorized to execute and deliver all such documents, and to do all such other acts and things, as such director may determine to be necessary or advisable in connection with the foregoing, and he is hereby directed to do so."

Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote IN FAVOUR OF the above-mentioned resolution.

Objectives of the Rights Plan

The fundamental objectives of the Rights Plan are to provide adequate time for the REIT's Trustees and Unitholders to assess an unsolicited take-over bid for the REIT, to provide the Trustees with sufficient time to explore and develop alternatives for maximizing Unitholder value if a take-over bid is made, and to provide Unitholders with an equal opportunity to participate in a take-over bid. The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "Permitted Bid" (described below), which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Trustees of the REIT. If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Trustees, the Rights Plan provides that the holders of Units, other than the acquirer, will be able to purchase additional Units at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings. Currently, the Trustees of the REIT are not aware of any pending or threatened take-over bid for the REIT and they are confident that no unsolicited take-over bid will be made with respect to the Units of the REIT prior to the adoption of the Rights Plan.

In adopting the Rights Plan, the Board considered the existing legislative framework governing take-over bids in Canada. The Board believes such legislation currently does not provide sufficient time to permit Unitholders to consider a take-over bid and make a reasoned and unhurried decision with respect to a take-over bid or give the Trustees sufficient time to develop alternatives for maximizing Unitholder value. Unitholders may also feel compelled to tender to a take-over bid even if the Unitholder considers such bid to be inadequate out of a concern that failing to tender may result in a Unitholder being left with illiquid or minority-discounted Units in the REIT. This is particularly so in the case of a partial bid for less than all of the Units of the REIT where the bidder wishes to obtain a control position but does not wish to acquire all of the Units. Finally, while existing securities legislation has addressed many concerns related to unequal treatment of securityholders, there remains the possibility that control of an issuer may be acquired pursuant to private agreements in which a small group of securityholders disposes of securities at a premium to market price, which premium is not shared with the other securityholders. It is not the intention of the Board in

recommending the confirmation and ratification of the Rights Plan to preclude a take-over bid for control of the REIT.

The Rights Plan provides that Unitholders could tender to take-over bids as long as they meet the Permitted Bid criteria. Furthermore, even in the context of a take-over bid that does not meet the Permitted Bid criteria, the Trustees are always bound by their fiduciary duty to consider any take-over bid for THE REIT and consider whether or not they should waive the application of the Rights Plan in respect of such bid. In discharging such responsibility, the Trustees will be obligated to act honestly and in good faith and in the best interests of the REIT and the Unitholders.

A number of recent decisions rendered by the Canadian securities regulators relating to rights plans have concluded that a board faced with an unsolicited take-over bid will not be permitted to maintain a rights plan indefinitely to prevent the successful completion of the bid, but only for so long as the board is actively seeking alternatives to the bid and there is a reasonable possibility that, given additional time, a value-maximizing alternative will be developed. The REIT's Rights Plan does not preclude any Unitholder from utilizing the proxy rules to promote a change in the management or direction of the REIT, and will have no effect on the rights of holders of the REIT's Units to requisition a meeting of Unitholders in accordance with applicable rules.

In recent years, unsolicited take-over bids have been made for a number of Canadian public companies, many of which had rights plans. The Board believes this demonstrates that the existence of rights plan does not prevent the making of an unsolicited bid. Further, in a number of these cases, a change of control ultimately occurred at a price in excess of the original bid price. There can be no assurance, however, that the REIT's Rights Plan would serve to bring out a similar result. The Rights Plan is not expected to interfere with the day-to-day operations of the REIT or its subsidiaries. The continuation of outstanding rights and the issue of additional rights in the future will not in any way alter the financial condition of the REIT, impede its business plans, or alter its financial statements. In addition, the Rights Plan is initially not dilutive. However, if a "Flip-In Event" (described below) occurs and the rights separate from the Units as described below, reported earnings per Unit and reported cash flow per Unit on a fully-diluted or non-diluted basis may be affected. In addition, holder of rights not exercising their rights after a Flip-In Event may suffer substantial dilution.

Summary of the Rights Plan

The following is a summary of the principal terms of the Rights Plan, which summary is qualified by, and is subject to, the full terms and conditions of the Rights Plan. Except as otherwise defined herein, capitalized terms used herein have the meanings ascribed thereto in the Rights Plan.

Issue of Rights

Effective as of the close of business on the day on the date of the Rights Plan, one right ("**Right**") shall be issued and attached to each outstanding Unit of the REIT. One Right shall also be issued and attached to each Unit issued thereafter, subject to the limitations set forth in the Rights Plan. The initial price for the rights shall be $100 (the "**Exercise Price**"), subject to the appropriate anti-dilution adjustments.

Acquiring Person

An Acquiring Person is a person that beneficially owns 20% or more of the outstanding Units. An Acquiring Person does not, however, include the REIT or any subsidiary of the REIT, or any person that becomes the beneficial owner of 20% or more of the Units as a result of certain exempt transactions. These exempt transactions include those whereby any person becomes the beneficial owner of 20% or more of the Units of the REIT as a result of, among other things: (i) specified acquisitions of securities of the REIT; (ii) acquisitions pursuant to a Permitted Bid or Competing

Permitted Bid (as described below); (iii) specified distributions of securities of the REIT; (iv) certain other specified exempt acquisitions (including for portfolio managers, mutual funds and other similar entities with no present intention to take control of the REIT); and (v) transactions with respect to which the application of the Rights Plan has been waived by the Trustees.

Rights Exercise Privilege

The Rights will separate from the Units to which they are attached and will become exercisable at the close of business (the "**Separation Time**") on the tenth business day after the earliest of (a) the first date of public announcement that a person and/or others associated, affiliated or otherwise connected to such person, or acting in concert with such person, have become an Acquiring Person; (b) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid, other than a Permitted Bid or Competing Permitted Bid; and (c) the date upon which a Permitted Bid or a Competing Permitted Bid ceases to be such, or such later date as the Trustees may determine in good faith. Subject to adjustment as provided in the Rights Plan, each Right will entitle the holder to purchase one Unit for the Exercise Price. A transaction in which a person becomes an Acquiring Person is referred to as a "Flip-In Event".

Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by the REIT or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-In Event. After the close of business on the tenth business day after the first public announcement of the occurrence of Flip-In Event, the Rights (other than those held by the Acquiring Person) will entitle the holder to purchase, for the Exercise Price, that number of Units having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-In Event) equal to twice the Exercise Price (a 50% discount).

Impact Once Rights Plan is Triggered

Upon a Flip-In Event occurring and the Rights separating from the attached Units, reported earnings per Unit on a fully-diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-In Event may suffer substantial dilution. By permitting holders of Rights other than an Acquiring Person to acquire Units at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of the REIT other than by way of a Permitted Bid or other than in circumstances where the Rights are redeemed or the Trustees waive the application of the Rights Plan.

Certificates and Transferability

Before the Separation Time, certificates for Units will also evidence one Right for each Unit represented by the certificate. Certificates issued on or after the adoption of the Rights Plan will bear a legend to this effect. Rights are also attached to Units outstanding prior to the adoption of the Rights Plan, although certificates issued before such date will not bear such a legend. Prior to the Separation Time, Rights will not be transferable separately from the attached Units. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the Units. Until such time as the REIT otherwise determines, the Rights issued to Unitholders will be made through the book-entry system representing the number of Rights so issued. Holders of Units or associated Rights represented by the book-entry system will not be entitled to a certificate or other instrument from the REIT, transfer agent or Rights Agent to evidence the ownerships thereof. New Units issued as a result of the exercise of any Right will also be represented through the book-entry system in all circumstances.

Permitted Bids

The Rights Plan is not triggered if an offer to acquire Units would allow sufficient time for the Unitholders to consider and to react to the offer and would allow Unitholders to decide to tender or not tender without the concern that they will be left with illiquid Units should they not tender. A "Permitted Bid" is a take-over bid where the bid is made by way of a take-over bid circular and: (i) is made to all the holders of Units, other than the offeror, for all of the Units held by those holders; and (ii) the bid must not permit Units tendered pursuant to the bid to be taken up until not less than 60 days following the bid and only if, at such time, more than 50% of the Units held by Unitholders other than the offeror, its affiliate and persons acting jointly or in concert with the offeror (the "Independent Unitholders") have been tendered pursuant to the take-over bid and not withdrawn. A Permitted Bid is not required to be approved by the Trustees and such bids may be made directly to Unitholders. Acquisitions of Units made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-In Event.

Waiver and Redemption

The Trustees may, before the occurrence of a Flip-In Event, waive the application of the Rights Plan to a particular Flip-In Event that would occur as a result of a take-over bid made pursuant to a circular prepared in accordance with applicable securities laws to all holders of Units. In such event, the Trustees shall be deemed to have waived the application of the Rights Plan to any other Flip-In Event occurring as a result of any other take-over bid made pursuant to a circular prepared in accordance with applicable securities laws to all holders of Units prior to the expiry of any take-over bid for which the Rights Plan has been waived or deemed to have been waived. The Trustees may also waive the application of the Rights Plan to an inadvertent Flip-In Event, on the condition that the person who becomes an Acquiring Person in the Flip-In Event reduces its beneficial ownership of Units such that it is not an Acquiring Person within a delay determined by the Trustees (or any earlier or later time specified by the Trustees). In addition, the Trustees may waive the application of the Rights Plan to a Flip-In Event prior to the close of business on the tenth trading day following a Unit acquisition (or such later business day as they may from time to time determine), provided that the Acquiring Person has reduced its beneficial ownership of Units, or has entered into a contractual arrangement with the REIT to do so within 10 days following the date on which such contractual arrangement is entered into, such that, at the time the waiver becomes effective, such person is no longer an Acquiring Person. In the event of such a waiver becoming effective prior to the Separation Time, such Flip-In Event shall be deemed not to have occurred. Until the occurrence of a Flip-In Event, the Trustees may, at any time before the Separation Time, elect to redeem all but not less than all of the then outstanding Rights at $0.000001 per Right. In the event that a person acquires Units pursuant to a Permitted Bid, a Competing Permitted Bid or pursuant to a transaction in respect of which the Trustees have waived the application of the Rights Plan, the Trustees shall, immediately upon the consummation of such acquisition, without further formality, be deemed to have elected to redeem the Rights at the redemption price.

Supplement and Amendments

Before the confirmation of the Rights Plan by Unitholders, the Trustees of the REIT may, without the approval of holders of Units or Rights, amend, supplement or restate the Rights Plan in order to make any changes, when acting in good faith, that they may deem necessary or desirable. Following Unitholder confirmation of the Rights Plan, the Trustees of the REIT may, without the approval of the holders of Units or Rights, make amendments: (i) to correct clerical or typographical errors, (ii) to maintain the validity and effectiveness of the Rights Plan as a result of any change in applicable law, rule or regulatory requirement, and (iii) as otherwise specifically contemplated herein. Any amendment referred to in (ii) must, if made before the Separation Time, be submitted for approval to the holders of Units at the next meeting of Unitholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

At any time before the Separation Time, the Trustees of the REIT may, with prior consent of the Unitholders received at the special Meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

No Other Business

The Corporation knows of no matter to come before the Meeting other than those set forth above and in the Notice of Meeting. However if any other matters do arise, the Management Nominees named in the proxy intend to vote on any poll, in accordance with their best judgment, exercising discretionary authority with respect to amendments or variations of matters set out in the Notice of Meeting and other matters which may properly come before the Meeting or any adjournment of the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS

On the date of the accompanying Notice of Meeting, the Corporation was authorized to issue an unlimited number of Shares without nominal or par value of which, as of the date of the Notice of Meeting, there are 132,085,999 Shares issued and outstanding as fully paid and non-assessable. All issued and outstanding Shares carry the right to one vote.

Each person who is a holder of Shares of record at the close of business on the Record Date will be entitled to notice of, and to attend and vote at, the Meeting.

To the knowledge of the directors of the Corporation except as disclosed above, as of the date of this Information Circular, no person beneficially owns, directly or indirectly, or exercises control or direction over, 10 percent or more of the issued and outstanding Shares, with the exception of:

Shareholder	Number of Shares beneficially owned or over which control or direction is exercised	Percentage (%) of outstanding Shares
Société Immobilière SYM Inc. [(1)]	26,394,800	19.99
GCICL Ltd.	20,434,800[(2)]	15.48

Notes:

(1) The Société Immobilière SYM Inc., is a corporation controlled by Mr. Mathieu Duguay, President, Chief Executive Officer and Director of the Corporation.

(2) Based on publicly available information as at June 28, 2013.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No informed person (within the meaning of applicable securities laws) of the Corporation, and no proposed Trustee, or any of their respective associates or affiliates, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the inception date of the Corporation except as disclosed in this Information Circular.

INVESTOR RELATIONS ARRANGEMENTS

No agreement or understanding has been reached with any person to provide promotional or investor relations services for the REIT.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Auditor

The Auditor for the Corporation is KPMG LLP.

Transfer Agent and Registrar

The transfer agent and registrar for the Shares, the Units and the Class B LP Units is Computershare Investor Services Inc. at its principal transfer office in Montreal, Québec.

MATERIAL CONTRACTS

The following are the material contracts entered into by the Corporation:

1. the Asset Management Agreement (amended and restated);
2. the Property Management Agreement (amended and restated);
3. the Arrangement Agreement;
4. the Depositary Agreement; and
5. the Share Option Plan.

EXPERTS

Certain legal matters relating to the Arrangement are to be passed upon by De Grandpré Chait LLP on behalf of the Corporation and the REIT. In addition, De Grandpré Chait LLP, legal counsel to the Corporation, have prepared the summary contained in this Information Circular under the heading "Certain Canadian Federal Income Tax Consequences". As at July 2, 2013, the partners of De Grandpré Chait LLP beneficially owned, directly or indirectly, less than one percent of the issued and outstanding Shares.

KPMG LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of *L'Ordre des Comptables Professionnels du Québec* (CPA).

OTHER MATERIAL FACTS

There are no other material facts relating to the Corporation, the Arrangement or the REIT which have not been disclosed in this Information Circular.

BOARD APPROVAL

The Board of the Corporation has approved the content and the delivery of this Information Circular to Shareholders, the Directors and the Auditors of the Corporation.

By order of the Board

(s) Mathieu Duguay
Mathieu Duguay
President, Chief Executive Officer and Director

(s) Daniel Blanchette
Daniel Blanchette
Chief Financial Officer and Director

CONSENTS

To: The Board of Directors of Capital BLF Inc.

We hereby consent to the inclusion of our name in the section titled "Experts" in the Management Information Circular of Capital BLF Inc. (the "**Corporation**") dated July 2, 2013 relating to the plan of arrangement providing for the reorganization of the Corporation with BLF Real Estate Investment Trust.

(*signed*) DE GRANDPRÉ CHAIT LLP

Montréal, Québec
July 2, 2013

APPENDIX A

ARRANGEMENT RESOLUTION FOR CONSIDERATION AT THE SPECIAL MEETING OF SHAREHOLDERS OF CAPITAL BLF INC.

BE IT RESOLVED THAT:

1. The sale of substantially all of the property of the Corporation to BLF Limited Partnership pursuant to the Asset Transfer Agreement as more particularly described and set forth in the Information Circular of the Corporation dated July 2, 2013 (as the Asset Transfer Agreement may be modified or amended) is hereby authorized, approved and adopted.

2. The arrangement (the "**Arrangement**") under section 192 of the *Canada Business Corporations Act* involving Capital BLF Inc. (the "**Corporation**"), BLF Real Estate Investment Trust, BLF General Partner Inc., BLF Limited Partnership and the shareholders of the Corporation, as more particularly described and set forth in the Information Circular of the Corporation dated July 2, 2013 (as the Arrangement may be modified or amended) is hereby authorized, approved and adopted.

3. The plan of arrangement (the "**Plan of Arrangement**") involving the Corporation, BLF Real Estate Investment Trust, BLF General Partner Inc., BLF Limited Partnership and the shareholders of the Corporation, the full text of which is set out as Exhibit 1 to the Arrangement Agreement made as of July 2, 2013 (the "**Arrangement Agreement**") (as the same may be or may have been amended) is hereby approved and adopted, with such amendments as may be deemed advisable by the directors of the Corporation.

4. Notwithstanding that this resolution has been passed by the shareholders of the Corporation or that the Arrangement has been approved by the Superior Court of Québec, the directors of the Corporation are hereby authorized and empowered (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement, and (ii) not to proceed with the Arrangement at any time prior to the issue of a certificate of arrangement giving effect to the Arrangement without the further approval of the shareholders of the Corporation, but only if the Arrangement Agreement is terminated in accordance with its terms.

5. Any officer or director of the Corporation is hereby authorized, acting for, in the name of and on behalf of the Corporation, to execute, under the seal of the Corporation or otherwise, and to deliver or cause to be delivered, all such documents, agreements and instruments, and to do or cause to be done all such other acts and things, as such officer or director determines to be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

APPENDIX B

ARRANGEMENT AGREEMENT AND PLAN OF ARRANGEMENT

ARRANGEMENT AGREEMENT

THIS AGREEMENT made as of the 2nd day of July, 2013.

BETWEEN:	**BLF REAL ESTATE INVESTMENT TRUST**, a trust governed by the laws of the Province of Québec
	(hereinafter referred to as the "**REIT**")
AND:	**BLF GENERAL PARTNER INC.,** a corporation existing under the laws of the Province of Québec
	(hereinafter referred to as the "**General Partner**")
AND:	**BLF LIMITED PARTNERSHIP,** a limited partnership existing under the laws of the Province of Québec
	(hereinafter referred to as "**BLF LP**")
AND:	**CAPITAL BLF INC.,** a corporation existing under the laws of Canada
	(hereinafter referred to as the "**Corporation**")

WHEREAS the board of directors of the Corporation has approved and agreed to effect, subject to obtaining approval of the Corporation's shareholders at the Meeting (as defined below), a statutory plan of arrangement under Section 192 of the *Canada Business Corporations Act* on the terms and conditions set out in this Agreement and the Plan of Arrangement annexed hereto as Exhibit 1;

AND WHEREAS each of the REIT, the General Partner and BLF LP has been established to participate in the Arrangement on the terms and conditions set forth herein;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT, in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by each of the Parties to the others, the Parties covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement the following terms have the following meanings, respectively:

"**Affiliate**" has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 — *Prospectus and Registration Exemptions*, on the date hereof;

"**Agreement**" means this agreement including the Exhibits hereto and all amendments made hereto;

"**Arrangement**" means the proposed arrangement under Section 192 of the CBCA and subject to the terms and conditions set forth in the Plan of Arrangement and any supplement, modification or amendment thereto made in accordance with Section 5.1;

"**Arrangement Filings**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement in substantially the form attached as Appendix A to the Information Circular to be voted upon by Shareholders at the Meeting;

"**Authority**" means any: (i) multinational, federal, provincial, state, municipal, local or foreign governmental or public department, court, or commission, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory or civil holiday, when banks are generally open for the transaction of business in Montréal, Québec;

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

"**Class A LP Units**" means the Class A LP units of BLF LP;

"**Class C LP Units**" means the Class C LP units of BLF LP;

"**Closing**" means the completion of the transactions contemplated by this Agreement;

"**Court**" means the Québec Superior Court of Justice (Commercial Division);

"**Director**" means the Director appointed under Section 260 of the CBCA;

"**Dissent Rights**" means the right of a Shareholder, pursuant to the Interim Order and Section 190 of the CBCA, to dissent to the Arrangement Resolution and to be paid the fair value of the Shares in respect of which the Shareholder dissents, all in accordance with Section 190 of the CBCA, subject to and as modified by the Interim Order and Article 4 of the Plan of Arrangement;

"**Dissenting Shareholder**" means a registered holder of Shares who exercises such registered holder's right to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 190 of the CBCA and Section 4.1 of the Plan of Arrangement, as described in the Information Circular;

"**Effective Date**" means the effective date on which the Arrangement Filings are duly filed or as soon as possible thereafter pursuant to the CBCA and the Final Order;

"**Effective Time**" means the time on the Effective Date at which the Arrangement is effective, as specified in the Arrangement Filings filed pursuant to the CBCA and the Final Order;

"**Encumbrance**" means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim and right of third parties to acquire or restrict the use of property;

"**Exchange Agreement**" means the exchange agreement to be entered into on the Effective Date substantially on the terms described in the Information Circular among the REIT, BLF LP, the General Partner and each Person who from time to time becomes or is deemed to become a party thereto by reason of his registered ownership of Exchangeable LP Units, as the same may be amended, supplemented or restated from time to time;

"**Exchange Rights**" means the exchange rights set out in the Exchange Agreement and the limited partnership agreement governing BLF LP;

"**Exchangeable LP Units**" means the Class B limited partnership units of BLF LP;

"**GP Shares**" means the common shares in the capital of the General Partner;

"**Information Circular**" means the management proxy circular of the Corporation relating to the Arrangement to be sent to Shareholders in connection with the Meeting;

"**Interim Order**" means the interim order of the Court to be issued pursuant to the application referred to in Section 2.5 of this Agreement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**LP Units**" means, collectively, the General Partner interest in BLF LP, Class A LP Units, Exchangeable LP Units and Class C LP Units;

"**Meeting**" means the annual and special meeting of Shareholders, and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought fit, approving the Arrangement and other matters set out in the notice of meeting accompanying the Information Circular;

"**Options**" means, collectively, the outstanding and unexpired options to acquire the Shares issued pursuant to the Share Option Plan;

"**Parties**" means, collectively, the REIT, the General Partner, BLF LP, the Corporation, and "Party" means any one of them;

"**Person**" means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

"**Plan of Arrangement**" means the plan of arrangement set out as Exhibit 1 hereto, as the same may be amended or supplemented from time to time in accordance with the terms thereof;

"**REIT Group**" means, collectively, the REIT and its Affiliates;

"**REIT Option**" means an option granted pursuant to the Arrangement in exchange for an Option, entitling the holder thereof to purchase one REIT Unit for an exercise price per REIT Unit equal to the exercise price per the Share under the exchanged Option based on the Exchange Ratio;

"**REIT Unit**" means a unit (other than a Special Voting Unit) authorized and issued under the REIT Contract of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**REIT Unitholders**" means the holders of REIT Units from time to time;

"**Shares**" means the common shares in the capital of the Corporation;

"**Shareholders**" means the holders of the Shares from time to time;

"**Share Option Plan**" means the Corporation's Share Option Plan initially adopted by the Corporation on March 31, 2008, as amended from time to time;

"**Special Voting Units**" means the special voting units of the REIT received by the holders of Exchangeable LP Units and authorized under the REIT Contract of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Subsidiary**" has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 — *Prospectus and Registration Exemptions* on the date hereof;

"**Trustees**" means the trustees of the REIT from time to time; and

"**TSXV**" means the TSX Venture Exchange.

1.2 Exhibits

The following Exhibit is attached to this Agreement and forms part hereof: Exhibit 1 – Plan of Arrangement.

1.3 Construction

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

(a) references to an "Article", "Section" or "Exhibit" are references to an Article, Section or Exhibit of or to this Agreement;

(b) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, political bodies and other entities, all as may be applicable in the context;

(c) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;

(d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and

(e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

1.4 Currency

All references to currency herein are to lawful money of Canada unless otherwise specified.

ARTICLE 2
REPRESENTATIONS AND WARRANTIES

2.1 Mutual Representations and Warranties of BLF LP, the General Partner and the Corporation

BLF LP, the General Partner and the Corporation each represents and warrants to each other and to the REIT as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

(a) the Corporation (i) is a corporation duly incorporated and validly existing under the laws of Canada, (ii) is duly qualified to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted,

or the ownership, leasing or operation of its property and assets requires such qualification, and (iii) has all requisite corporate power and authority to carry on its business and to enter into and perform its obligations under this Agreement;

(b) the General Partner (i) is a corporation duly incorporated and validly existing under the laws of Québec, (ii) is duly qualified to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such qualification, and (iii) has all requisite corporate power and authority to carry on its business and to enter into and perform its obligations under this Agreement;

(c) BLF LP (i) is a limited partnership duly formed and validly existing under the laws of the Province of Québec, (ii) is duly registered to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such registration, and (iii) has all requisite power and authority to carry on its business and to enter into and perform its obligations under this Agreement;

(d) the execution and delivery of this Agreement by it and the completion by it of the transactions contemplated herein and in the Plan of Arrangement do not and will not:

(i) result in the breach of, or violate any terms or provision of, its articles or by-laws or other constating documents;

(ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, licence or permit to which it is a party or by which it is bound and which is material to it, or to which any material property of such Party is subject, or result in the creation of any Encumbrance upon any of its material assets under any such agreement, instrument licence or permit or give to others any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, licence or permit; or

(iii) violate any provision of law or administrative regulation or any judicial or administrative award, judgment, order or decree applicable and known to it, the breach of which would have a material adverse effect on it;

(e) there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting it, at law or in equity, before or by any Authority nor are there any existing facts or conditions which may reasonably be expected to form a proper basis for any actions, suits, proceedings or investigations, which, in any case, would prevent or hinder the consummation of the transactions contemplated by this Agreement;

(f) no dissolution, winding up, bankruptcy, liquidation or similar proceeding has been commenced or is pending or proposed in respect of it;

(g) the execution and delivery of this Agreement, and the completion of the transactions contemplated herein and in the Plan of Arrangement have been duly approved by its board of directors (or in the case of BLF LP, by the board of directors of the General Partner, in its capacity as the general partner of BLF LP) and this Agreement constitutes a valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and to general principles of equity and limitations upon the enforcement of indemnification for fines or penalties imposed by law; and

(h) there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting it, at law or in equity, before or by any Authority nor are there any existing facts or conditions which may reasonably be expected to form a proper basis for any actions, suits, proceedings or investigations, which, in any case, would prevent or hinder the consummation of the transactions contemplated by this Agreement.

2.2 Representations and Warranties of the Corporation

The Corporation represents and warrants to and in favour of each of the REIT, the General Partner and BLF LP as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

(a) the authorized capital of the Corporation consists of an unlimited number of Shares;

(b) as of the date hereof, the issued and outstanding share capital of the Corporation consisted of 132,085,999 Shares; and

(c) at the date hereof, no Person holds any securities convertible into Shares or any other shares of the Corporation or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of the Corporation, other than pursuant to Options to purchase 7,771,800 Shares granted to officers and directors of the Corporation pursuant to the Share Option Plan.

2.3 Representations and Warranties of the REIT

The REIT represents and warrants to and in favour of each of the other Parties as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

(a) the REIT is a trust duly settled and existing under the laws of the Province of Québec and has the power and capacity to enter into this Agreement and to perform its obligations hereunder;

(b) the REIT currently has one (1) outstanding REIT Unit, which is fully-paid and is owned legally and beneficially by the Corporation;

(c) at the date hereof, no Person holds any securities convertible into REIT Units or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any issued or unissued shares of the REIT, except as contemplated by the Plan of Arrangement; and

(d) the REIT has not carried on any business since it was settled, nor has it undertaken any activity, other than as provided for herein and in the Plan of Arrangement.

2.4 Representations and Warranties of the General Partner

The General Partner represents and warrants to and in favour of each of the other Parties and acknowledges that each of them is relying on such representations and warranties in connection with the matters contemplated in this Agreement:

(a) the authorized capital of the General Partner consists of an unlimited number of GP Shares, of which ten (10) GP Shares are issued and outstanding, fully-paid and non-assessable and owned legally and beneficially by the REIT;

(b) at the date hereof, no Person holds any securities convertible into GP Shares or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any issued or unissued shares of the General Partner, except as contemplated by the Plan of Arrangement; and

(c) the General Partner has no non-cash assets and no liabilities and has not carried on any business since its date of incorporation.

2.5 Representations and Warranties of BLF LP

BLF LP represents and warrants to and in favour of each of the other Parties as follows, and acknowledges that each of them is relying on such representations and warranties in connection with the matters contemplated in this Agreement:

(a) the limited partnership interest in BLF LP is divided into and represented by an unlimited number of Class A LP Units, Class B LP Units, Class C LP Units, and general partnership interest in BLF LP is divided into and represented by an unlimited number of Class A GP Units;

(b) as of the date hereof, the issued and outstanding units of BLF LP consist of one (1) Class A LP Unit held by the REIT and one (1) Class A GP Unit held by the General Partner;

(c) at the date hereof, no Person holds any securities convertible into partnership units of BLF LP or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any issued or unissued partnership units of BLF LP Units, except as contemplated by the Plan of Arrangement; and

(d) BLF LP does not have non-cash assets or liabilities and it has not carried on any business since its date of formation, other than as provided herein and in the Plan of Arrangement.

ARTICLE 3
COVENANTS

3.1 General Covenants

Each of the Parties covenants with the other Parties that it will:

(a) use commercially reasonable efforts and do all things reasonably required of it to cause the Arrangement to become effective on or before August 20, 2013;

(b) do and perform all such acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments as may reasonably be required, both prior to and following the Effective Date, to facilitate the carrying out of the intent and purposes of this Agreement; and

(c) use commercially reasonable efforts to cause each of the conditions precedent set forth in Article 5, which are within its control, to be satisfied on or prior to the Effective Date.

3.2 Covenants of the Corporation

The Corporation hereby covenants and agrees with each of the other Parties that it will:

(a) until the Effective Date, not perform any act or enter into any transaction, nor permit the Corporation or any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;

(b) apply to the Court for the Interim Order;

(c) solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare, as soon as practicable, in consultation with the other Parties, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable law and, subject to receipt of the Interim Order, convene the Meeting as ordered by the Interim Order and conduct the Meeting in accordance with the Interim Order and as otherwise required by law;

(d) in a timely and expeditious manner, file the Information Circular in all jurisdictions where the same is required to be filed by it and mail the same to the Shareholders in accordance with the Interim Order and applicable law;

(e) ensure that the information set forth in the Information Circular relating to the Corporation and its Subsidiaries, and their respective businesses and properties and the effect of the Plan of Arrangement thereon will be true, correct and complete in all material respects and will not contain any untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading in light of the circumstances in which they are made;

(f) without limiting the generality of any of the foregoing covenants, until the Effective Date:

(i) except pursuant to the exercise of outstanding Options in accordance with the terms thereof prior to the date hereof, not issue any additional Shares or other securities or allow any of its Subsidiaries to issue any shares or other securities;

(ii) not issue or enter into, or allow any of its Subsidiaries to issue or enter into, any agreement or agreements to issue or grant options, warrants or rights to purchase any of its shares or other securities or those of such Subsidiaries; and

(iii) except as specifically provided for hereunder, not alter or amend its articles or by-laws or those of its Subsidiaries as the same exist at the date of this Agreement;

(g) prior to the Effective Date, make application to list the REIT Units (including REIT Units to be issued from time to time upon exchange of the Exchangeable LP Units and exercise of the REIT Options) on the TSXV;

(h) prior to the Effective Date, make application to the Canadian securities regulatory authorities for such orders as may be necessary or desirable in connection with the REIT Units, other securities to be issued pursuant to the Arrangement and in respect of any other relief that may be deemed to be beneficial in connection with the Arrangement or the Parties;

(i) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:

(i) the approval of Shareholders required for the implementation of the Arrangement;

(ii) the Interim Order and, subject to the obtaining of all required consents, orders, rulings and approvals (including, without limitation, required approvals of Shareholders), the Final Order;

(iii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and

(iv) satisfaction of the other conditions precedent referred to in Section 4.1;

(j) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Arrangement Filings in accordance with the CBCA.

3.3 Covenants of the REIT, the General Partner and BLF LP

Each of the REIT, the General Partner and BLF LP hereby covenants and agrees with each of the other Parties that it will, subject to the terms of this Agreement:

(a) until the Effective Date, not carry on business or undertake any activity, except as otherwise contemplated by this Agreement and the Plan of Arrangement and as described in the Information Circular;

(b) until the Effective Date, not perform any act or enter into any transaction, nor permit any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;

(c) cooperate with and support the Corporation in its application for the Interim Order;

(d) without limiting the generality of any of the foregoing covenants, until the Effective Date:

(i) not issue any additional units, shares or other securities or allow any of its Subsidiaries to issue any units, shares or other securities;

(ii) not issue or enter into, or allow any of its Subsidiaries to issue or enter into, any agreement or agreements to issue or grant options, warrants or rights to purchase any of its units, shares or other securities or those of such Subsidiaries; and

(iii) except as specifically provided for hereunder, not alter or amend its governing and constating documents, or those of its Subsidiaries, as the same exist at the date of this Agreement;

(e) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:

(i) such consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 4.1, and

(ii) satisfaction of the other conditions precedent referred to in Section 4.1.

3.4 Additional Covenants of the REIT

The REIT hereby covenants and agrees with each of the other Parties that it will:

(a) prior to the Effective Date, cooperate with the Corporation in making the application to list the REIT Units (including any REIT Units to be issued from time to time upon exchange of the Exchangeable LP Units and exercise of the REIT Options) on the TSXV; and

(b) authorize for issuance the REIT Units which are to be issued from time to time upon exchange of the Exchangeable LP Units and exercise of the REIT Options.

3.5 Interim Order

As soon as practicable, the Corporation shall apply to the Court pursuant to Section 192 of the CBCA for the Interim Order providing for, among other things, the calling and holding of the Meeting.

3.6 Final Order

If the Interim Order and all Shareholder approvals as required in respect of the Arrangement are obtained, the Corporation shall promptly thereafter take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such fashion as the Court may direct and as soon as practicable following receipt of the Final Order, and subject to the satisfaction or waiver of the other conditions provided for in Article 4 hereof, the Corporation shall file the Arrangement Filings to give effect to the Arrangement pursuant to the Final Order.

ARTICLE 4
CONDITIONS

4.1 Mutual Conditions Precedent

The respective obligations of the Parties to complete the transactions contemplated by this Agreement and to file the Arrangement Filings in order to give effect to the Arrangement shall be subject to satisfaction of the following conditions:

(a) the Arrangement Resolution shall have been approved by not less than two-thirds of the votes cast by the Shareholders, and by the affirmative vote of at least 50% plus one of the total votes cast by the Shareholders, excluding the vote of the directors and executive officers of the Corporation, in person or by proxy, at the Meeting;

(b) the Final Order approving the Arrangement shall have been obtained from the Court in form and substance satisfactory to the parties to the Arrangement Agreement;

(c) the Articles of Arrangement, together with a copy of the Plan of Arrangement and the Final Order and such other materials as may be required by the Director, in form and substance satisfactory to the parties to the Arrangement Agreement, shall have been filed with the Director in accordance with subsection 192(5) of the CBCA;

(d) all necessary consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor approvals, opinions and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received;

(e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Arrangement, there shall not be in force any order or decree restraining or

enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the parties to the Arrangement Agreement shall have been issued and remain outstanding;

(f) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties to the Arrangement Agreement;

(g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders or the REIT Group if the Arrangement is completed;

(h) the conditional approval of the TSXV of the Arrangement and listing of the REIT Units to be issued pursuant to the Arrangement (and upon exchange of the Exchangeable LP Units and REIT Options) shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;

(i) Shareholders shall not have exercised (and not withdrawn) Dissent Rights in connection with the Arrangement in respect of Shares representing, in the aggregate, more than 1% of the issued and outstanding Shares;

(j) Shareholders who immediately prior to the Effective Time are not resident in Canada for the purposes of the Tax Act (based on reasonable evidence available to the board of directors of the Corporation) and who are to receive REIT Units under the Arrangement shall not, in the aggregate, immediately following Closing, own in excess of 49% of all then outstanding REIT Units; and

(k) this Agreement shall not have been terminated under Article 5.

4.2 Additional Conditions to Obligations of Each Party

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the condition, which may be waived by such Party without prejudice to its right to rely on any other condition in its favour, that the covenants of the other Parties to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by them and that the representations and warranties of the other Parties shall be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such time and each such Party shall receive a certificate, dated the Effective Date, of a senior officer of each other Party confirming the same.

4.3 Merger of Conditions

The conditions set out in this Article 4 shall be conclusively deemed to have been satisfied, waived or released on the filing by the Corporation of the Arrangement Filings under the CBCA to give effect to the Plan of Arrangement.

ARTICLE 5
AMENDMENT AND TERMINATION

5.1 Amendment and Waiver

This Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended by the unanimous written agreement of the Parties without, subject to applicable law, further notice to or authorization on the part of their respective shareholders, REIT Unitholders, members or partners, as the case may be. Without limiting the generality of the foregoing, any such amendment may:

(a) waive compliance with or modify any of the covenants herein contained or waive or modify performance of any of the obligations of the Parties or satisfaction of any of the conditions precedent set forth in Article 4 of this Agreement;

(b) waive any inaccuracies or modify any representations contained herein or in any document to be delivered pursuant hereto:

(c) change the time for performance of any of the obligations, covenants or other acts of the Parties; or

(d) make such alterations in this Agreement as the Parties may consider necessary or desirable in connection with the Interim Order.

5.2 Termination

This Agreement may, at any time before or after the holding of the Meeting but prior to the filing of the Arrangement Filings giving effect to the Arrangement, be terminated by the mutual agreement of the Parties, without approval of the Shareholders. This Agreement shall terminate without any further action by the Parties if the Effective Date shall not have occurred on or before December 31, 2013.

5.3 Exclusivity

None of the covenants of the Corporation contained herein shall prevent the board of directors of the Corporation from (i) responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of its assets or assets of any of its Subsidiaries, or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally involving the Corporation or any of its Subsidiaries, or (ii) make any disclosure to its Shareholders with respect thereto, which in the judgment of the board of directors of the Corporation is required under applicable law.

ARTICLE 6
GENERAL

6.1 Notices

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid first-class mail, by facsimile or other means of electronic communication or by delivery as hereafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on

behalf of the addressee. Notice of change of address will also be governed by this Section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications will be delivered by hand or sent by facsimile or other means of electronic communication and will be deemed to have been received in accordance with this Section. Notices and other communications will be addressed, in the case of each party, to or care of:

Capital BLF Inc.
7250 Taschereau Blvd., Suite 200
Brossard, Québec J4W 1M9

Attention: Mathieu Duguay
Facsimile No.: (450) 672-9557

with a copy to:

De Grandpré Chait LLP
1000 De La Gauchetière West, Suite 2900
Montréal, Québec H3B 4W5

Attention: Michel G. Beaudin
Facsimile No.: (514) 878-5724

6.2 Severability

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party to this Agreement. Upon any determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are fulfilled to the fullest extent possible.

6.3 Enurement

This Agreement will be binding upon and enure to the benefit of the parties to this Agreement and their respective successors and permitted assigns from time to time.

6.4 Assignment

This Agreement may not be assigned by any party to this Agreement without the prior written consent of each of the other parties.

Notwithstanding anything to the contrary contained herein, each party to this Agreement shall have the right, without being released, to transfer or assign this Agreement to any third party as security for any bona fide financing or as security for any guarantee granted by such transferor in respect of the obligations of its Affiliates to such third party for any bona fide financing.

6.5 Governing Law

This Agreement will be governed by and construed in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein.

Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Québec, waives any objection which it may have now or later to the venue of

that action or proceeding, irrevocably submits to the non-exclusive jurisdiction of those courts in that action or proceeding and agrees to be bound by any judgment of those courts.

6.6 No Personal Liability

Each of the parties hereto acknowledges that the trustees of the REIT are entering into this Agreement solely in their capacity as trustees of the REIT, and that the obligations or liabilities (including those arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation, claims based on negligence or otherwise tortious behaviour) of the trustees, managers, officers or employees of the REIT, hereunder will not be binding upon, nor will resort be had to the property of, any of the holders of REIT Units, or any annuitant under a plan of which a holder thereof is a trustee or carrier (an "annuitant"). The obligations or liabilities, if any, of the trustees, managers, officers or employees of the REIT hereunder shall be satisfied only out of the property of the REIT and no resort may be had to the property of any trustee, manager, officer or employee thereof. The provisions of this paragraph shall enure to the benefit of the heirs, successors, assigns and personal representatives of the trustees, managers, officers or employees of the REIT, and of the holders of units and annuitants and, to the extent necessary to provide effective enforcement of such provisions, the trustees of the REIT are hereby acknowledged to be acting, and shall be entitled to act as, trustees for the holders of units and annuitants.

6.7 Counsel Acting for More than One Party

Each of the parties has been advised and acknowledges that De Grandpré Chait LLP is acting as counsel to and jointly representing more than one of the parties (each a "Client" and, collectively, "Clients") and, in this role, information disclosed to De Grandpré Chait LLP by one Client will not be kept confidential and shall be disclosed to all Clients and each of the parties consents to De Grandpré Chait LLP so acting. In addition, should a conflict arise between any Clients, De Grandpré Chait LLP may not be able to continue to act for any of such Clients.

6.8 Time of Essence

Time is of the essence in respect of this Agreement.

6.9 Entire Agreement

This Agreement, the Plan of Arrangement and the other agreements contemplated hereby and thereby constitute the entire agreement between the parties to this Agreement pertaining to the subject matter hereof. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter except as specifically set forth or referred to in this Agreement or as otherwise set out in writing and delivered at Closing. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made by any Party or its trustees, directors, officers, employees or agents, to any other Party or its trustees, directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent aforesaid.

6.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original, pdf or faxed form and the Parties adopt any signatures received by pdf or a receiving fax machine as original signatures of the Parties.

6.11 Further Assurances

Each of the Parties will promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and will use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

6.12 Language

The Parties confirm their express wish that this Agreement and all documents and agreements directly or indirectly relating thereto be drawn up in the English language. *Les parties reconnaissent leur volonté express que la présente entente ainsi que tous les documents et contrats s'y rattachant directement ou indirectement soient rédigés en anglais.*

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

BLF REAL ESTATE INVESTMENT TRUST

Per: *(s) Mathieu Duguay*
Mathieu Duguay
Trustee

CAPITAL BLF INC.

Per: *(s) Daniel Blanchette*
Daniel Blanchette
Chief Financial Officer

BLF LIMITED PARTNERSHIP, by its general partner, BLF GENERAL PARTNER INC.

Per: *(s) Daniel Blanchette*
Daniel Blanchette
Director

BLF GENERAL PARTNER INC.

Per: *(s) Daniel Blanchette*
Daniel Blanchette
Director

EXHIBIT 1
PLAN OF ARRANGEMENT UNDER THE PROVISIONS OF SECTION 192
OF THE
CANADA BUSINESS CORPORATIONS ACT

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, the following terms have the following meanings:

"**Ancillary Rights**" means, in respect of each Exchangeable LP Unit, the Exchange Right and the attached Special Voting Unit, collectively;

"**Arrangement**", "herein", "hereof, "hereto", "hereunder" and similar expressions mean and refer to the arrangement pursuant to Section 192 under the CBCA set forth in this Plan of Arrangement as supplemented, modified or amended, and not to any particular Article, Section or other portion hereof;

"**Arrangement Agreement**" means the arrangement agreement dated July 2, 2013 among the REIT, the General Partner, BLF LP, and the Corporation, pursuant to which such parties have proposed to implement the Arrangement, as the same may be amended and/or restated from time to time;

"**Arrangement Filings**" means a certified copy of the Final Order, together with this Plan of Arrangement, Articles of Arrangement, Notice of Registered Officers and Directors and applicable Federal NUANS search(es) to be filed pursuant to the CBCA;

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement in substantially the form attached as Appendix A to the Information Circular to be voted upon by Shareholders at the Meeting;

"**BLF LP**" means BLF Limited Partnership, a limited partnership formed under the laws of the Province of Québec.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory or civic holiday, when banks are generally open for the transaction of business in Montréal, Québec;

"**CBCA**" means the Canada Business Corporations Act, as amended, including the regulations promulgated thereunder;

"**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Director pursuant to subsection 192(5) of the CBCA, giving effect to the Arrangement;

"**Class A LP Units**" means the Class A LP units of BLF LP;

"**Class C LP Units**" means the Class C LP units of BLF LP;

"**Corporation**" means Capital BLF Inc., a corporation existing under the laws of the Province of Québec;

"**Court**" means the Québec Superior Court of Justice (Commercial Division);

"**CRA**" means the Canada Revenue Agency;

"**Depositary**" means Computershare Investor Services Inc. at its offices referred to in the Letter of Transmittal;

"**Director**" has the meaning ascribed thereto in the CBCA;

"**Dissent Right**" means the right of a Shareholder, pursuant to the Interim Order and Section 190 of the CBCA, to dissent to the Arrangement Resolution and to be paid the fair value of the securities in respect of which the holder dissents, in accordance with Sections 190 of the CBCA, subject to and as modified by the Interim Order and Section 4.1 of this Plan of Arrangement and as described in the Information Circular;

"**Dissenting Shareholder**" means a registered Shareholders who exercises such registered holder's right to dissent in respect of the Arrangement pursuant to the procedures set forth in Section 190 of the CBCA and Section 4.1 of this Plan of Arrangement as described in the Information Circular;

"**Effective Date**" means the effective date of the Arrangement pursuant to the Final Order and the Certificate;

"**Effective Time**" means the time on the Effective Date at which the Arrangement is effective, as specified in the Arrangement Filings filed pursuant to the CBCA and the Final Order;

"**Elected Number**" means, in respect of an Electing Shareholder, the number of Shares (to be transferred to BLF LP) specified in the Letter of Transmittal delivered by such Electing Shareholder to the Depositary on or before the Election Deadline;

"**Electing Shareholder**" means a Shareholder (other than an Excluded Shareholder) that elects to transfer Shares to BLF LP in exchange for Exchangeable LP Units pursuant to, and in accordance with, the terms of the Arrangement;

"**Election Deadline**" means 5:00 p.m. (Toronto time) on the second last Business Day immediately preceding the date of the Meeting or, if such meeting is adjourned or postponed, such time on the second last Business Day immediately preceding the date of such adjourned or postponed meeting;

"**Election Form**" means the election form enclosed with the Information Circular pursuant to which a Shareholder may elect to receive, on completion of the Arrangement, REIT Units and/or Exchangeable LP Units (together with the Ancillary rights) for his Shares;

"**Exchange Agreement**" means the exchange agreement to be entered into on the Effective Date substantially on the terms described in the Information Circular among the REIT, BLF LP, the General Partner and each Person who from time to time becomes or is deemed to become a party thereto by reason of his registered ownership of Exchangeable LP Units, as the same may be amended, supplemented or restated from time to time;

"**Exchange Rights**" means the right granted under the Exchange Agreement to the holder of Class B LP Units to cause the REIT to exchange each Class B LP Unit for one REIT Unit pursuant to the Exchange Agreement;

"**Exchange Ratio**" means the ratio of (i) one REIT Unit or (ii) a combination of one Class B LP Unit and the related Ancillary Right, as applicable, for every forty (40) Shares held, subject to rounding (rounded down only), and provided that no fractional Units shall be issued and no consideration shall be given in lieu of such fractional interest;

"**Exchangeable LP Units**" means the Class B LP units of BLF LP;

“Excluded Shareholder” means a Shareholder that is either (i) a “non-resident” for the purposes of the Tax Act or a partnership that is not a “Canadian partnership”, (ii) a “financial institution”, (iii) a Person, an interest in which is a “tax shelter investment”, (iv) a Person which would acquire an interest in the Partnership as a “tax shelter investment”, or (v) a Person that is not: (a) a “real estate investment trust”, (b) a “taxable Canadian corporation”, (c) a “SIFT trust”, (d) a “SIFT partnership”, or (e) an “excluded subsidiary entity” (all such expression as defined in the Tax Act);

"**Final Order**" means the order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of Section 192 of the CBCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**General Partner**" means BLF General Partner Inc., a corporation existing under the laws of Canada;

"**Information Circular**" means the management proxy circular of the Corporation relating to the Arrangement to be sent to Shareholders in connection with the Meeting;

"**Interim Order**" means the interim order of the Court to be issued pursuant to the application referred to in Section 3.5 of the Arrangement Agreement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Letter of Transmittal**" means the Letter of Transmittal enclosed with the Information Circular pursuant to which a Shareholder is required to deliver certificates representing Shares, and may elect to receive, on completion of the Arrangement, REIT Units and/or Exchangeable LP Units (together with the Ancillary Rights) for his, her or its Shares;

"**Limited Partnership Agreement**" means the limited partnership agreement of BLF LP among the General Partner and each person who is admitted to the partnership in accordance with the terms of such agreement, as such agreement may be amended and/or restated from time to time;

"**Maximum Number of Exchangeable LP Units**" means the maximum number of Exchangeable LP Units that may be issued by BLF LP pursuant to this Arrangement, as determined by the General Partner, in its sole and absolute discretion, provided that the Maximum Number of Exchangeable LP Units will be determined by the General Partner, with a view to ensuring that the REIT satisfies the Minimum Distribution Requirements;

"**Meeting**" means the annual and special meeting of Shareholders, and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought fit, approving the Arrangement Resolution and other matters set out in the notice of meeting accompanying the Information Circular;

"**Minimum Distribution Requirements**" means the minimum distribution requirements applicable to the REIT under (i) the policies of the TSX Venture Exchange with respect to the listing of the REIT Units thereon, and (ii) the Tax Act with respect to the REIT' s status as a "mutual fund trust" thereunder;

"**Optionholders**" means the holders of Options from time to time;

"**Options**" means, collectively, all outstanding and unexpired options to acquire Shares issued pursuant to the share option plan of the Corporation;

"**Person**" means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

"**Plan of Arrangement**" means this plan of arrangement, as amended or supplemented from time to time in accordance with the terms hereof;

"**REIT**" means BLF Real Estate Investment Trust, a trust established under the laws of the Province of Québec pursuant to the REIT Contract of Trust;

"**REIT Contract of Trust**" means the Contract of Trust dated June 14, 2013, governing the REIT, as the same may be amended and/or restated from time to time;

"**REIT Option**" means an option granted pursuant to this Plan of Arrangement in exchange for an Option, entitling the holder thereof to purchase one REIT Unit for an exercise price per REIT Unit equal to the exercise price per Share under the exchanged Option based on the Exchange Ratio;

"**REIT Unit**" means a unit of the REIT (other than a Special Voting Unit) authorized and issued under the REIT Contract of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Shareholders**" means the holders of Shares from time to time;

"**Shares**" means the common shares in the capital of the Corporation;

"**Special Voting Units**" means the special voting units of the REIT authorized and issued to the holders of Exchangeable LP Units under the REIT Contract of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

"**Subsidiary**" has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 — *Prospectus and Registration Exemptions* on the date hereof; and

"**Tax Act**" means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

1.2 In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

(a) references to "herein", "hereby", "hereunder", "hereof and similar expressions are references to this Plan of Arrangement and not to any particular Section, subsection or Schedule;

(b) references to an "Article", "Section" or "Schedule" are references to an Article, Section or Schedule of or to this Plan of Arrangement;

(c) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders;

(d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;

(e) forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;

(f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation; and

(g) each of the REIT, the General Partner, BLF LP and the Corporation acknowledges the obligations of the REIT hereunder and that such obligations will not be personally binding upon any of the trustees of the REIT, any registered or beneficial holder of REIT Units, Special Voting Units, or any beneficiary under a plan of which a holder of such units acts

as a trustee or carrier, and that resort will not be had to, nor will recourse be sought from, any of the foregoing or the private property of any of the foregoing in respect of any indebtedness, obligation or liability of the REIT arising hereunder, and recourse for such indebtedness, obligations or liabilities of the REIT will be limited to, and satisfied only out of, the assets of the REIT.

1.3 In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

ARTICLE 2
ARRANGEMENT AGREEMENT

2.1 This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Arrangement Filings in accordance with the CBCA and the Final Order, will, subject to Section 4.1, become effective on, and be binding on and after the Effective Time on: the REIT, the General Partner, BLF LP, the Corporation, the Shareholders, the Optionholders.

2.3 The filing of the Arrangement Filings shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

ARTICLE 3
ARRANGEMENT

3.1 On the Effective Date, each of the events below will, except as otherwise expressly provided, be deemed to occur sequentially without further act or formality:

(a) Shares held by Dissenting Shareholders who have exercised Dissent Rights which remain valid immediately before the Effective Date will be deemed to have been transferred to the Corporation and cancelled and cease to be outstanding, and such Dissenting Shareholders will cease to have any rights as Shareholders other than the right to be paid the fair value of their Shares;

(b) issued and outstanding Shares in respect of which an Electing Shareholder (who is not an Excluded Shareholder) has validly elected to receive an Exchangeable LP Unit (except, for greater certainty, any such Shares elected to be transferred in consideration for Exchangeable LP Units exceeding the Shareholder's *pro rata* allocation of the Maximum Number of Exchangeable LP Units) will be transferred to BLF LP in consideration for (i) Exchangeable LP Units based on the Exchange Ratio, and (ii) the Ancillary Rights attached to such Exchangeable LP Units;

(c) issued and outstanding Shares (except for those held by Dissenting Shareholders) not transferred to BLF LP under paragraph (b) above will be transferred to BLF LP in consideration for REIT Units based on the Exchange Ratio, which BLF LP directs the REIT to issue and deliver directly to such Shareholder on behalf of BLF LP; in consideration for the deliverance by the REIT of each REIT Unit to such Shareholder on behalf of BLF LP, BLF LP will issue one (1) Class A LP Unit to the REIT;

(d) each Option will be exchanged for Unit Options having identical terms, subject to adjustment of the number of REIT Units underlying the Unit Options and the exercise price of the Unit Options based on the Exchange Ratio; if the foregoing calculation results

in the total Options of a particular Optionholder being exercisable for a fraction of a REIT Unit, then the total number of REIT Units subject to such holder's total Options shall be rounded down to the next whole number of REIT Units and the total exercise price for such Unit Options shall be reduced by the exercise price of the fractional REIT Units; and

(e) the REIT will redeem the one (1) REIT Unit initially issued by it to the Corporation in consideration for the initial subscription price of $10 in accordance with the procedure specified under Section 7.5 of the REIT Contract of Trust.

3.2 Subject to Section 3.3, with respect to the elections required to be made by a Shareholder in order to dispose of Shares pursuant to Section 3.1(b):

(a) each such Shareholder shall make such election by depositing with the Depositary a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, indicating such Shareholder's election, together with certificates representing such Shareholder's Shares; and

(b) any Shareholder who does not deposit with the Depositary a completed Letter of Transmittal and Election Form prior to the Election Deadline or otherwise fails to comply with the requirements of Section 3.1(b) and the Letter of Transmittal and Election Form shall be deemed to have elected to dispose of the Shares to BLF LP pursuant to Section 3.1(c).

3.3 With respect to any election required to be made by a Shareholder in order to effect the transfer of Shares pursuant to Section 3.1(b), such Shareholder may so elect in respect of any portion of the aggregate number of Shares (excluding any fractions of a Share) held by such holder and otherwise satisfying the conditions to such election. In the event that the aggregate Elected Number of all Electing Shareholders is greater than the Maximum Number of Exchangeable LP Units, the Exchangeable LP Units will be allocated on a pro rata basis to each Electing Shareholder in accordance with the following formula: the Maximum Number of Exchangeable LP Units divided by the aggregate Elected Number of all Electing Shareholders multiplied by the Elected Number of the particular Electing Shareholder. Each Electing Shareholder will be deemed to have elected to exchange that number of Shares equal to the number of Exchangeable LP Units allocated to such Electing Shareholder and the balance of such Electing Shareholder' s Shares shall be transferred to BLF LP in exchange for REIT Units pursuant to Section 3.1(c).

3.4 With respect to each Shareholder (other than Dissenting Shareholders), on the Effective Date:

(a) upon the transfer of Shares to BLF LP in consideration for Exchangeable LP Units and related Ancillary Rights pursuant to Section 3.1(b):

(i) such former Shareholder shall be added to the registers of holders of Exchangeable LP Units and Special Voting Units, added as a party to the Limited Partnership Agreement and the Exchange Agreement and the name of such holder shall be removed from the register of holders of Shares as it relates to the Shares so transferred; and

(ii) BLF LP shall become the holder of the Shares so transferred and shall be added to the register of holders of Shares;

(b) upon the transfer of Shares to BLF LP in consideration for REIT Units pursuant to Section 3.1(c), and the undertaking of the REIT to issue and deliver REIT Units in consideration for Class A LP Units issued by BLF LP:

(i) such former Shareholder shall be added to the register of holders of REIT Units and the name of such holder shall be removed from the register of holders of Shares as it relates to the Shares so transferred;

(ii) BLF LP shall become the holder of Shares so transferred and shall be added to the register of holders of the Shares;

(iii) the REIT shall become the holder of the number of Class A LP Units issued by BLF LP equal to the number of REIT Units issued to such former Shareholder.

(c) upon the exchange of Options for REIT Options pursuant to Section 3.1(d), each holder of Options shall cease to be a holder of Options and the name of such former holder of Options shall be removed from the register of holders of Options as it relates to the Options so exchanged and the name of such former holder of Options shall be added to the register of holders of REIT Options.

3.5 A Shareholder, who is not an Excluded Shareholder, may elect to transfer Shares to the Partnership pursuant to Section 3.1(b). A holder who has transferred Shares pursuant to Section 3.1(b) shall be entitled to make an income tax election pursuant to subsection 97(2) of the Tax Act (and the analogous provisions of provincial income tax law) with respect thereto by providing two signed copies of the necessary election forms to BLF LP within sixty (60) days following the Effective Date, duly completed with the details of the number of Shares transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms complying with the provisions of the Tax Act (and applicable provincial tax law), the election forms will be signed and one copy thereof shall be forwarded by mail to such former Shareholders within thirty (30) days after the receipt thereof by BLF LP for filing with the CRA (and/or the applicable provincial taxing authority). BLF LP will not be responsible for the proper completion and filing of any election form, except for the obligation of BLF LP to so sign and return election forms which are received by BLF LP within sixty (60) days of the Effective Date, and BLF LP will not be responsible for any taxes, interest or penalties resulting from the failure by a former Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (and any applicable provincial legislation).

3.6 With respect to the one (1) initial REIT Unit owned by the Corporation, upon the redemption thereof by the REIT pursuant to Section 3.1(e) hereof, such REIT Unit shall no longer be outstanding for any purposes under the REIT Contract of Trust and the name of the Corporation shall be removed from the register of holders of REIT Units as it relates to such REIT Unit.

ARTICLE 4
DISSENTING SHAREHOLDERS

4.1 Each registered Shareholder shall have the right to dissent with respect to the Arrangement. The right of dissent will be effected in accordance with Section 190 of the CBCA, as modified by the Interim Order, and provided that a Dissenting Shareholder who, for any reason, is not entitled to be paid the fair value of the holder's Shares shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting Shareholder pursuant to Section 3.1(c). A Dissenting Shareholder shall, on the Effective Date, be deemed to have transferred the holder's Shares to the REIT for cancellation and cease to have any rights as a Shareholder except that the Dissenting Shareholder shall be entitled to be paid the fair value of the holder's Shares. The fair value of Shares shall be determined as at the point in time immediately prior to the Arrangement Resolution in accordance with Section 190 of the CBCA, but in no event shall the Corporation be required to recognize such Dissenting Shareholders as Shareholders after the Effective Date, and the names of such holders shall be removed from the applicable register of shareholders. For greater certainty, in addition to any other restrictions in Section 190 of the CBCA, no Person who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement. It is a condition of this Plan of Arrangement that Dissent Rights shall

not have been exercised in connection with the Arrangement in respect of Shares representing, in the aggregate, more than 1% of the issued and outstanding Shares.

ARTICLE 5
OUTSTANDING CERTIFICATES

5.1 From and after the Effective Date, certificates formerly representing Shares under the Arrangement shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to Section 4.1, to receive the fair value of the Shares represented by such certificates.

5.2 From the Effective Date, the option agreements providing for the Options shall represent, in respect of each Optionholder, only the right of the Optionholder and the obligation of the REIT to enter into an option agreement in respect of REIT Options on terms substantially similar to the terms of the agreement formerly representing the Options (including an equivalent option exercise price based on the Exchange Ratio provided at Section 3.1(d)).

5.3 REIT shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Shareholder of a duly completed Letter of Transmittal and Election Form, and the certificates representing such Shares, either:

(a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Shareholder at the address specified in the Letter of Transmittal; or

(b) if requested by such Shareholder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such Shareholder, certificates or other evidence representing the number of REIT Units issued to such holder or to which such holder is entitled pursuant to the Arrangement.

5.4 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Shares that were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depositary will issue and deliver in exchange for such lost stolen or destroyed certificate the consideration to which the holder is entitled pursuant to the Arrangement (and any distributions with respect thereto) as determined in accordance with the Arrangement. The person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of the REIT and the Corporation and their respective transfer agents, which bond is in form and substance satisfactory to each of the REIT and the Corporation, and their respective transfer agents, or shall otherwise indemnify the REIT and the Corporation and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

5.5 Subject to any applicable escheat laws, any certificate formerly representing Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the sixth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such Shares to receive REIT Units or Exchangeable LP Units (together with the Ancillary Rights) contemplated by Sections 3.1(c) or 3.1(b) respectively. REIT Units issued or made pursuant to the Arrangement shall be deemed to be surrendered to the REIT (in the case of the REIT Units contemplated by Section 3.1(c)) and to BLF LP and the REIT (in the case of the Exchangeable LP Units and Special Voting Units contemplated by Section 3.1(b)), together with all distributions thereon held for such holder.

5.6 No certificates representing fractional REIT Units shall be issued pursuant to this Plan of Arrangement.

ARTICLE 6
AMENDMENTS

6.1 The parties to the Arrangement Agreement may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) filed with the Court and, if made following the Meeting, approved by the Court; and (iii) communicated to Shareholders if and as required by the Court.

6.2 Any amendment of, modification to or supplement to this Plan of Arrangement may be proposed by the Corporation at any time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Shareholders at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

6.3 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to or following the Effective Time but shall only be effective if it is consented to by each of the REIT, the General Partner, BLF LP and the Corporation, provided that it concerns a matter which, in the reasonable opinion of the REIT, the General Partner, BLF LP and the Corporation is of an administrative nature or required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the REIT, the General Partner, BLF LP and the Corporation, or any former Shareholder or Optionholder.

APPENDIX C

MOTION FOR INTERIM and FINAL ORDER

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

S U P E R I O R C O U R T
(Commercial Division)

No.:

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING CAPITAL BLF INC. AND THE HOLDERS OF ITS SECURITIES UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORATIONS ACT,* R.S.C. 1985, c. a-44, as amended

CAPITAL BLF INC., a legal person duly incorporated under the laws of Canada, having as Head Office at 7250 Taschereau Blvd, Suite 200, Brossard, Québec, J4W 1M9

Petitioner

-and-

THE SHAREHOLDERS OF CAPITAL BLF INC.

Mis-en-cause

MOTION FOR INTERIM AND FINAL ORDERS
IN CONNECTION WITH CAPITAL BLF INC. PROPOSED ARRANGEMENT
(Articles 20, 46 and 110 C.C.P. and Section 192 of the *Canada Business Corporations Act* R.S.C. 1985, c. C.-44)

TO ONE OF THE JUDGES OF THE SUPERIOR COURT OF QUÉBEC, SITTING IN THE COMMERCIAL DIVISION, IN AND FOR THE DISTRICT OF MONTRÉAL, THE PETITIONER, CAPITAL BLF INC., RESPECTFULLY SUBMITS THE FOLLOWING:

I. INTRODUCTION

1. The present Motion is made by the Petitioner, Capital BLF Inc. ("**BLF**"), within the context of a proposed arrangement which, if approved, will have the effect of converting BLF from a corporate entity into BLF Real Estate Investment Trust ("**BLF REIT**"), a trust which will make monthly distributions of its available cash to the holders of its units (the "**Unitholders**").

2. It is proposed that the said conversion, subject to applicable shareholder, regulatory and Court approval, be carried out by way of an arrangement (the "**Arrangement**") pursuant to section 192 of the *Canada Business Corporations Act* (the "**CBCA**" or the "**Act**"). The Arrangement is further described in the Arrangement Agreement (the "**Arrangement Agreement**") and Plan of Arrangement (the "**Plan of Arrangement**") annexed as Appendix B to the Draft Management Proxy Circular of BLF (the "**Circular**"), **Exhibit R-1**.

3. Under the Arrangement, shareholders of BLF (the "**Shareholders**") will exchange their common shares of BLF (the "**Common Shares**") for trust units of BLF REIT (the "**Units**") on a basis of one (1) Unit for every forty (40) Common Shares. As a result, the Shareholders will become Unitholders of BLF REIT.

4. As will be more fully demonstrated hereinafter, it is impracticable for BLF to effect the result contemplated by the Arrangement under any provision of the CBCA other than section 192, and the proposed Arrangement is fair and reasonable to the Shareholders.

5. BLF is seeking the following orders:

   (a) an interim order pursuant to Section 192 of the CBCA (the "**Interim Order**") governing various procedural matters to be determined in connection with the approval of the proposed Arrangement by way of a special resolution of the Shareholders (the "**Arrangement Resolution**"); and

   (b) a final order pursuant to Section 192 of the CBCA (the "**Final Order**") sanctioning the proposed Arrangement.

6. For the purposes of this Motion, all capitalized terms used but not otherwise defined herein have the meanings given to them in the Circular , together with the Notice of Special Meeting of Shareholders accompanying such Circular and all appendices thereto. A copy of the Circular in draft form is communicated herewith as **Exhibit R-1**.

II. THE PARTIES

A. BLF

7. BLF was incorporated on March 30, 2007 pursuant to the provisions of the CBCA.

8. The common shares of BLF are listed and posted for trading on the TSX Venture Exchange Inc. ("**TSX-V**"), since May 29, 2007.

9. BLF invests in well located multi-family residential properties that have low vacancy rates and strong net cash flow generation with an initial focus in the Province of Québec. Over time, the Corporation intends to create a residential real estate portfolio which is diversified both geographically and by type of clientele. The Corporation intends to acquire additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value.

10. As of the date hereof, the issued and outstanding shares of BLF consist of 132,085,999 Common Shares.

11. Also, as of the date hereof, to the best of the knowledge of BLF, no director or executive officer beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the Common Shares, except for Mr. Mathieu Duguay, the President and Chief Executive Officer and Director who controls 26,394,800 Common Shares (19.98%) through Société immobilière SYM Inc., his holding company.

12. The directors and executive officers of BLF beneficially own, directly or indirectly, in the aggregate 33,357,857 Common Shares, representing 25.25% of the issued and outstanding Common Shares.

B. BLF REIT

13. BLF REIT is an unincorporated open-ended investment trust constituted on June 14, 2013.

14. BLF REIT, its trustees, the Units and the trust property are governed by the general rules set forth in the *Civil Code of Québec*, except as such general rules have been or are from time to time modified, altered or abridged for BLF REIT by:

    (a) applicable laws and regulations or other requirements; and

    (b) the terms and conditions set forth in the Contract of Trust communicated herewith as **Exhibit R-2**.

15. As of the date hereof, the issued and outstanding Units of BLF REIT consist of one Unit.

16. BLF REIT shall invest, directly or indirectly, primarily in immovable property.

17. BLF REIT, through BLF, has applied to the TSX-V on June 4, 2013 in order to see its Units listed and posted on the TSX-V at closing of the Arrangement.

C. BLF LIMITED PARTNERSHIP

18. BLF LIMITED PARTNERSHIP is a limited partnership established under the laws of the Province of Québec.

19. BLF LIMITED PARTNERSHIP, the units and the partnership property are governed by the general rules set forth in the *Civil Code of Québec*, except as such general rules have been or are from time to time modified, altered or abridged for BLF LIMITED PARTNERSHIP by:

    (a) applicable laws and regulations or other requirements; and

    (b) the terms and conditions set forth in the BLF Limited Partnership Agreement.

20. BLF LIMITED PARTNERSHIP is a wholly-owned subsidiary of BLF REIT.

III. NECESSITY FOR THE ARRANGEMENT/IMPRACTICABILITY

21. It is impracticable, if not impossible, to effect the result contemplated by the Arrangement under any provision of the CBCA other than Section 192 of the CBCA for the following reasons:

    (a) the proposed Arrangement is the only practicable way to accomplish in one step all of the transactions required to achieve the conversion by the parties;

    (b) the Arrangement has been structured to achieve a beneficial tax treatment for the Shareholders;

    (c) the Plan of Arrangement contemplates the transfer of all the assets of BLF pursuant to the CBCA for securities; and

    (d) the Plan of Arrangement contemplates the conversion of one form of equity (Common Shares) into another (Units), which is not contemplated in the CBCA.

IV. CONTEXT OF THE TRANSACTION

22. Over the last several years, real estate investment trusts ("**REITs**") have become a common way of structuring real estate businesses and assets generating

regular revenues, notably because they allow a regular distribution of available cash to their unit holders, generally in a tax-efficient manner.

23. BLF has noted that values in the market for businesses with stable, predictable cash flows are often significantly superior when such businesses and assets are owned by investors through a REIT that is committed to distributing substantially all of its cash flow to security holders, rather than directly through ownership of shares of a corporation that retains and reinvests its cash flows.

24. In general, REITs seek to provide current income rather than growth of capital.

25. BLF believes that the REIT model of real estate ownership in Canada has now reached a Ievel of maturity and support in the Canadian investment and business communities, and that REITs enjoy access to capital in the equity markets comparable to conventional corporate issuers.

26. BLF undertook an evaluation of the merits of converting to a REIT structure relative to BLF's other options. After a review with its financial advisors, legal counsel and auditors of, among other things, the current environment and trading levels for comparable REITs, the suitability of BLF's assets and business for a REIT structure, the ability of BLF's executive officers to acquire and invest in immovable property and BLF 's anticipated requirements for equity capital to fund its future growth, BLF's board of directors (the "**BLF Board**") concluded that Shareholder value might be enhanced by arranging BLF to a REIT.

27. The BLF Board believes that the REIT structure will be beneficial to its Shareholders and will be particularly attractive to Shareholders who hold Units of BLF REIT in Deferred Income Plans and RESPs or in another form of tax-deferred plan.

28. The TSX Venture has accepted for filing the proposed Arrangement on June 7, 2013 which is subject to final approval, pursuant to the letter attached herewith as **Exhibit R-3**

29. The BLF Board approved on March 27, 2013, in principle, proceeding with the conversion of BLF into a real estate investment trust, and announcements to that effect were made by BLF initially on March 4, 2013 and then on June 14, 2013 by disseminating news releases, copies of which are attached herewith *en liasse* as **Exhibit R-4**.

30. The BLF Board, in recommending the Arrangement, believes the Arrangement proposed has the following advantages:

(a) it is anticipated that the combined value of distributions of BLF REIT and the market value of the Units of BLF REIT will be greater than the combined value of dividends that could otherwise be paid on the Common Shares and the market value of the Common Shares, and that BLF REIT will have greater access to capital to fund growth;

(b) it is anticipated that the conversion of BLF into a real estate investment trust will attract new investors and provide, in the aggregate, a more active and liquid market for the Units of BLF REIT than currently exists for the Common Shares; and

(c) it is anticipated that cash distributions of BLF REIT to Unit holders will provide an attractive return to Unit holders.

V. THE ARRANGEMENT

31. Under the Plan of Arrangement, on the Effective Date, each of the major events below shall, except as otherwise expressly provided, be deemed to occur successively, without further act or formality.

32. As soon as reasonably practicable, bring an application before the Court in a manner and form acceptable to BLF REIT, acting reasonably, pursuant to subsection 192(3) of the CBCA for the Interim Order providing for, among other things, the calling and holding of the Special Meeting and thereafter proceed with and diligently pursue the obtaining of the Interim Order.

33. Convene and hold the Special Meeting for the purpose of considering the Arrangement Resolution (and for any other proper purpose as may be set out in the notice for such meeting), annexed as **Appendix A to Exhibit R-1**.

34. To be effective, the Arrangement Resolution must be approved by not less than two-thirds of the votes cast by Shareholders present in person or represented by proxy at the Special Meeting.

35. Section 192 of the CBCA does not require security holder approval as a pre-condition to a court order approving the Arrangement.

36. If the Arrangement is approved at the Special Meeting by the Arrangement Resolution as required by the Interim Order, bring an application, as soon as reasonably practicable after the Special Meeting, before the Court pursuant to subsection 192(3) of the CBCA for a Final Order approving the Arrangement.

37. As stated above, the Arrangement provides that Shareholders will exchange their Common Shares for Units on the basis of one (1) Unit for every forty (40) Common Shares.

38. If the Final Order is obtained, subject to the satisfaction or waiver of the conditions set forth in Arrangement Agreement, as soon as reasonably practicable thereafter, file Articles of Arrangement and such other documents as may be required in connection therewith under the CBCA, with the Director appointed under the CBCA, to give effect to the Arrangement pursuant to subsection 192(6) of the CBCA.

39. BLF REIT shall have confirmed the approval by the TSX-V of the final (or substitutional) listing of: (i) Units issuable to the Shareholders pursuant to the Plan of Arrangement; (ii) Units underlying the Options, if any, subject to terms and conditions acceptable to BLF REIT and BLF.

VI. SOLVENCY OF BLF

40. BLF is not insolvent within the meaning of subsection 192(2) of the CBCA, as:

(a) it is able to pay its liabilities as they become due; and

(b) the realizable value of BLF's assets is more than the aggregate of its liabilities and stated capital of all classes.

41. BLF's annual audited financial statements for the year ended December 31, 2012 are attached herewith as **Appendix F of Exhibit R-1**.

42. BLF's interim financial statements for the period ended March 31, 2013 are attached herewith as **Appendix F of Exhibit R-1**.

VII. FAIRNESS OF THE ARRANGEMENT

43. The BLF Board has determined that the Arrangement is fair, from a financial point of view, to its Shareholders and is in the best interest of BLF. Furthermore, the BLF Board has unanimously resolved to recommend that the Shareholders vote in favour of the Arrangement at the Special Meeting.

44. Directors and executive officers of BLF, who currently own or control, directly or indirectly, approximately 25.25% of the issued and outstanding Common Shares, have indicated that they intend to vote in favour of the Arrangement.

45. The BLF Board based its determination on the following factors, which are more fully explained in the Circular:

(a) the real estate investment is expected to result in a higher level of cash distributions than would be available under a corporate structure;

(b) as a result of the Arrangement, former Shareholders will continue to own, directly through BLF REIT and indirectly through the BLF Limited Partnership, an economic interest in BLF's business and immovable property on the same basis as at present;

(c) the Arrangement shall not be subject to a fairness opinion by a financial advisor but shall be subject to a special resolution passed by the affirmative votes of not less than two-thirds (66.66%) of the votes cast by Shareholders present in person or represented by proxy at the Special Meeting;

(d) the Arrangement shall not be subject to the majority of the minority shareholders' approval requirements in that the Arrangement provides for equal treatment of all shareholders and will not effect a "squeeze-out" transaction;

(e) the Arrangement is not subject to the independent valuation requirements which apply to related-party transactions within the meaning of applicable securities legislation, regulations and policies, in that the Arrangement provides for equal treatment of all Shareholders and no Shareholder is, directly or indirectly, party in his individual capacity to the Arrangement Agreement; and

(f) BLF truly believes that all of its officers and directors who hold Common Shares are acting in good faith in the context of the Arrangement.

46. As the above demonstrates, the proposed Arrangement is fair and reasonable to all Shareholders.

VIII. RIGHT OF SHAREHOLDERS TO DISSENT

47. The Plan of Arrangement provides that Shareholders will be entitled to exercise a right of dissent with respect to their Common Shares, as more fully appears from the Plan of Arrangement included in **Appendix B to Exhibit R-1**.

48. BLF therefore asks this Court to issue, at the interim stage, an order permitting Shareholders to dissent if the Arrangement Resolution is approved, as well as an order stating that in order to validly dissent, such Shareholder must, notwithstanding subsection 190(5) of the CBCA, provide BLF with a written objection to the Arrangement Resolution (the "Dissent Notice") not later than 5:00 p.m. (Montréal time) on the Business Day preceding the Special Meeting (or any adjournment or postponement thereof).

IX. EX PARTE APPLICATION

49. A Judge of the Superior Court, sitting in Chambers, has the jurisdiction to hear the present Motion for Interim Order *ex parte* and to dispense BLF of its obligation to notify any person other than the Director appointed under the CBCA.

50. The Director appointed under the CBCA has duly received notice of the present Motion and supporting exhibits and affidavits in accordance with subsection 192(5) of the CBCA, a copy of which is communicated in support hereto as **Exhibit R-5.** The Director confirmed by email on June 18, 2013 that he will not be appearing at the presentation of the Motion for Interim Order.

X. THE ORDERS SOUGHT

A. Interim Order

51. For the purpose of calling and holding the Special Meeting, BLF hereby requests this Court to issue an Interim Order providing, *inter alia:*

(a) that BLF calls, holds and conducts the Special Meeting on or about August 1st, 2013 to consider and, if deemed advisable, to pass, with or without variation:

i) the Arrangement Resolution substantially in the form set forth in **Appendix A to Exhibit R-1**; and

ii) to transact such other business as may properly come before the Special Meeting or any adjournment thereof,

the whole in accordance with the terms, restrictions and conditions of the by-laws and articles of BLF and the CBCA and, to the extent of any inconsistency or discrepancy between the Interim Order sought and BLF's articles and by-laws, the Interim Order sought shall govern.

(b) that the Plan of Arrangement submitted to the Shareholders be in substantially the form as contained in **Appendix B to Exhibit R-1**, with such amendments thereto as counsel for BLF may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order and are subsequently filed with this Court;

(c) that BLF seeks the approval of the Arrangement Resolution at the Special Meeting, with or without variation, by a special resolution, being the affirmative vote of not less than two-thirds of the total votes cast on the Arrangement Resolution by Shareholders present in person or by proxy at the Special Meeting and shall be subject to the majority of the minority shareholders' approval requirements;

(d) that the procedure to be followed by Shareholders wishing to dissent be provided and clearly established as set forth in the Plan of Arrangement attached as **Appendix B to Exhibit R-1**;

(e) that, in accordance with Article 5.1 of the Plan of Arrangement, a Dissent Notice must be provided by any Shareholder wishing to dissent to BLF not later than 5:00 p.m. (Montréal time) on the Business Day preceding the Special Meeting;

(f) that the Notice of the Special Meeting and the Circular be in substantially the form as contained in **Exhibit R-1** (with such amendments thereto as counsel for BLF may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order

and are subsequently filed with this Court) shall be distributed to the Shareholders, the BLF Board, BLF's auditors, and to the Director appointed under the CBCA, accompanied by the following documents:

i) a Proxy Form, substantially in the form as the copies communicated herewith as **Exhibit R-6;**

ii) a Letter of Transmittal, substantially in the form as the copies communicated herewith as **Exhibit R-7**;

iii) a copy of this Motion together with a notice of presentation for the hearing with respect to the Final Order, a copy of which is communicated as **Exhibit R-8**; and

iv) a copy of the Interim Order to be rendered pursuant hereto.

(g) that compliance by BLF with the provisions of the Interim Order shall constitute good and sufficient Notice of Motion by BLF to each and every Shareholder for this Court to sanction the Arrangement by way of a final judgment;

(h) that the Circular be placed under seal in this Court record by the Registry of this Court and that it not be disclosed, published or disseminated, directly or indirectly, until the final version thereof has been sent to the Shareholders and posted on the System for Electronic Document Analysis and Retrieval ("**SEDAR**");

(i) that at the Interim Order stage, BLF be dispensed of giving notice to any person other than the Director appointed under the CBCA; and

(j) any order that this Court deems appropriate in the circumstances.

B. Final Order

52. Should the Arrangement Resolution be approved by the Shareholders at the Special Meeting, BLF will apply to this Court for the Final Order sanctioning the Arrangement.

53. BLF will accordingly, at the final stage, request this Court to issue a Final Order providing, *inter alia*:

(a) that service of the present Motion made in accordance with the Interim Order is valid and sufficient and amounts to service on all Shareholders;

(b) that the Arrangement be approved and sanctioned; and

(c) any other order that this Court deems appropriate in the circumstances.

XI. CONCLUSION

54. The information contained in the Circular is confidential and must be safeguarded from disclosure since:

(a) the information contained in the Circular is not definitive, it being a document in draft form, which document might be amended if necessary, provided that such amendments are not inconsistent with the terms of the Interim Order; and

(b) the partial or incomplete disclosure of the information contained in the Circular could result in prejudice for BLF and the Shareholders.

55. BLF therefore seeks an order that the Circular filed into the Court record in the present proceedings be kept under seal and that access thereto by third parties, as well as disclosure, publication or dissemination thereof, be denied until the final version thereof has been sent to the Shareholders and posted on SEDAR.

56. The present Motion is well founded in fact and in law.

WHEREFORE MAY IT PLEASE THIS COURT TO:

GRANT the present Motion.

DISPENSE BLF of any obligation to notify any person other than the Director appointed under the CBCA with respect to the Interim Order sought.

As to the Interim Order:

The Special Meeting

ORDER that BLF calls, holds and conducts the Special Meeting on or about August 1st, 2013 to consider and, if deemed advisable, to pass, with or without variation:

(a) the Arrangement Resolution substantially in the form set forth in **Appendix A to Exhibit R-1**; and

(b) to transact such other business as may properly come before the Special Meeting or any adjournment thereof,

the whole in accordance with the terms, restrictions and conditions of the by-laws and articles of BLF and the CBCA and, to the extent there is any inconsistency or discrepancy between the Interim Order sought and BLF's articles or by-laws, the Interim Order sought shall govern.

ORDER that BLF, if it deems it advisable, be specifically authorized to adjourn or postpone the Special Meeting on one or more occasions, without the necessity of first convening the Special Meeting or first obtaining any vote of Shareholders

respecting the adjournment or postponement, subject to the terms of the Plan of Arrangement.

ORDER that the Plan of Arrangement submitted to the Shareholders be substantially in the form as contained in **Appendix B to Exhibit R-1**, with such amendments thereto as counsel for BLF may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order to be rendered herein and are subsequently filed with this Court.

ORDER that BLF seeks the approval of the Arrangement Resolution at the Special Meeting, with or without variation, by a special resolution, being the affirmative vote of not less than two-thirds of the total votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Special Meeting.

ORDER that for the purposes of the vote on the Arrangement Resolution, any spoiled votes, illegible votes, defective votes and abstentions shall be deemed not to be votes cast by Shareholders.

The Notice Material

ORDER that notice of the Special Meeting be given, and service of the present Motion be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of the following documents (collectively, the "**Notice Material**"):

(a) the Circular **(Exhibit R-1)**, with such amendments thereto as counsel for BLF may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order and are subsequently filed with this Court;

(b) a Proxy Form **(Exhibit R-6)** and a Letter of Transmittal **(Exhibit R-7)**, with such amendments thereto as counsel for BLF may advise are necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order and are subsequently filed with this Court;

(c) a copy of this Motion, together with a notice of presentation for the hearing with respect to the Final Order; and

(d) a copy of the Interim Order sought.

ORDER that the Notice Material shall be distributed:

(a) to the registered shareholders of BLF, the BLF Board and the auditors of BLF, by mailing the same by pre-paid first-class mail to such

persons in accordance with the CBCA and the by-laws of BLF at least twenty-one (21) days prior to the date of the Special Meeting;

(b) to the non-registered shareholders of BLF, by delivering multiple copies of same to intermediaries and registered nominees as they are defined in National Instrument 54-101 to facilitate distribution to non-registered shareholders of BLF as set out in National Instrument 54-101, the whole before the close of business on July 8, 2013;

(c) to the Director appointed pursuant to the CBCA, by sending same in person or by recognized courier service to the Director, the whole before the close of business on July 8, 2013.

(d) to the TSX Venture Exchange and applicable securities regulatory authorities by electronically filing the Notice Material via SEDAR at twenty-one (21) days prior to the date of the Special Meeting.

DECLARE that the Record Date for the determination of shareholders of BLF entitled to receive Notice of the Special Meeting and to vote on the Arrangement Resolution shall be June 27, 2013.

DECLARE that the mailing or delivery of the Notice Material constitutes good and sufficient notice of the Special Meeting upon all such persons.

DECLARE that the accidental failure or omission to give notice of the Special Meeting or the non-receipt of such notices shall not invalidate any resolutions passed or proceedings taken at the Special Meeting and shall not constitute a breach of the Interim Order sought.

Dissenting Shareholders' Rights

ORDER that in accordance with Article 5.1 of the Plan of Arrangement (**Appendix B to Exhibit R-1**), a Dissent Notice must be provided by any Shareholder wishing to dissent in respect of the Arrangement Resolution to BLF not later than 5:00 p.m. (Montréal time) on the Business Day preceding the Special Meeting.

The Final Order Hearing

ORDER that subject to the approval by Shareholders of the Arrangement Resolution in the manner set forth in the Interim Order, BLF may apply for this Court to sanction the Arrangement by way of a final judgment (the "**Final Order**").

ORDER that the application for Final Order be presented on or about August 16, 2013 before the Superior Court of Quebec, sitting in Commercial Division in and for the district of Montréal at the Montréal Courthouse, located a 1 Notre-Dame Street East in Montréal, Québec, Room 16-12 at 9:00 a.m. or so soon thereafter as counsel may be heard, or at any other date this Court may see fit, a copy of which is communicated as **Exhibit R-8**.

DECLARE that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the present Motion and good and sufficient notice of presentation of the Final Order hearing on all persons referred to in the Order to be rendered, whether those persons reside within Quebec or within another jurisdiction.

ORDER that any Shareholder wishing to appear on the application for Final Order shall:

i) file an appearance with this Court's registry and serve same on BLF's counsel, **DE GRANDPRÉ CHAIT, LLP** (to: Mtre L. B. Erdle), on or before August 9, 2013;

ii) if such appearance is with the view to contesting the application for the Final Order, serve on Petitioner's counsel **DE GRANDPRÉ CHAIT, LLP** (to: Mtre L. B. Erdle), and file with this Court's registry, on or before August 9, 2013 a written contestation supported as to the facts by affidavit(s), and exhibit(s) if any, without which such contestation the appearing person shall not be permitted to contest the application for Final Order.

Confidentiality

ORDER that the Circular **(Exhibit R-1)** be placed under seal in the Court records by the Registry of this Court and that it not be disclosed, published or disseminated, directly or indirectly, until the final version thereof has been sent to the Shareholders and posted on SEDAR.

ORDER the Registrar/Special Clerk of this Court to deny access to the Circular to the public until the final version thereof has been sent to the Shareholders and posted on SEDAR.

ORDER BLF to notify the Court forthwith immediately following the mailing to the Shareholders and posting on SEDAR of the final version of the Circular.

Miscellaneous

RENDER any other order that this Court deems appropriate in the circumstances.

As to *the Final Order*

ORDER that service of the present Motion made in accordance with the Interim Order is valid and sufficient and amounts to service on all Shareholders.

ORDER that the Arrangement as set forth in the Arrangement Agreement and the Plan of Arrangement, in **Appendix B to Exhibit R-1** (with such amendments thereto as BLF or the Shareholders may advise are necessary or desirable) is hereby approved and that the Arrangement shall take effect in accordance with the terms of the Plan of Arrangement on the Effective Date, as defined therein.

RENDER any other order that this Court deems appropriate in the circumstances.

THE WHOLE without costs save in the event of contestation.

Montréal, June 14th, 2013

(SGD) De Grandpré Chait, LLP

DE GRANDPRÉ CHAIT, LLP
Attorneys for Petitioner

TRUE COPY/COPIE CONFORME
***DE GRANDPRÉ CHAIT** s.e.n.c.r.l./LLP*

Per/Par : _____

AFFIDAVIT OF DANIEL BLANCHETTE

I, the undersigned, Daniel Blanchette, Businessman, residing and domiciled at 5833 Hutchison, Montréal, Québec, H2V 4B7, do solemnly affirm that:

1. I am a Director, Secretary and Chief Financial Officer of Capital BLF Inc., Petitioner in the present case;

2. I am a Trustee of BLF Real Estate Investment Trust;

3. As per my personal knowledge, the corporation Capital BLF Inc. is not insolvent within the meaning of 192(2) of the Act;

4. All of the facts related in the attached *Motion for Interim and Final Orders in connection with Capital BLF Inc. proposed arrangement* are true; and

5. All of the facts alleged herein are true.

AND I HAVE SIGNED:

(sgd) Daniel Blanchette

Daniel Blanchette

SOLEMNLY AFFIRMED TO before me
at Montreal this 14th day of June, 2013

(sgd) Lucie Lemire #50892
Commissioner of Oaths

TRUE COPY/COPIE CONFORME
DE GRANDPRÉ CHAIT *s.e.n.c.r.l./LLP*

Per/Par : _____

C A N A D A

PROVINCE OF QUÉBEC
DISTRICT OF MONTREAL

S U P E R I O R C O U R T
(Commercial Division)

No.:

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING CAPITAL BLF INC. AND THE HOLDERS OF ITS SECURITIES UNDER SECTION 192 OF THE *CANADA BUSINESS CORPORA-TIONS ACT,* R.S.C. 1985, c. a-44, as amended

CAPITAL BLF INC.

Petitioner

-and-

THE SHAREHOLDERS OF CAPITAL BLF INC.

Mis-en-cause

LIST OF EXHIBITS

EXHIBIT R-1 Draft of the Management Proxy Circular, including the following:

Appendix A	Resolution of the Shareholders approving the Arrangement and Plan of Arrangement
Appendix B	Arrangement Agreement and the Plan of Arrangement
Appendix E	Relevant extracts from the *Canadian Business Corporations Act*
Appendix F	Financial Statements of Capital BLF Inc.

EXHIBIT R-2 Contract of Trust

EXHIBIT R-3 Letter from TSX Venture Exchange

EXHIBIT R-4 News Releases dated March 4, 2013 and June 14, 2013 and

Resolution of the Board dated March 27, 2013

EXHIBIT R-5 Letter to Corporations Canada dated June 14, 2013;

EXHIBIT R-6 Draft form of the Proxy;

EXHIBIT R-7 Draft Letter of Transmittal;

EXHIBIT R-8 Draft Notice of presentation of the Final Order;

Montréal, June 14th, 2013

(SGD) De Grandpré Chait, LLP

DE GRANDPRÉ CHAIT, LLP
Attorneys for Petitioner

TRUE COPY/COPIE CONFORME
***DE GRANDPRÉ CHAIT** s.e.n.c.r.l./LLP*

Per/Par : _____

APPENDIX D

INTERIM ORDER AND
NOTICE OF PRESENTATION OF THE FINAL ORDER

CANADA

PROVINCE OF QUEBEC
DISTRICT OF MONTRÉAL

SUPERIOR COURT
Commercial Division

File: No: 500-11-044883-136

Montreal, June 25, 2013

Present: The Honourable Mark Schrager , J.S.C.

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING:

CAPITAL BLF INC., a legal person duly incorporated under the laws of Canada, having as Head Office at 7250 Taschereau Blvd, Suite 200, Brossard, Québec, J1W 1M9

Petitioner

and

THE DIRECTOR APPOINTED PURSUANT TO THE CBCA

Impleaded Party

INTERIM ORDER

GIVEN Capital BLF inc.'s Motion for Interim and Final Order pursuant to the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44 (as amended, the "***CBCA***"), the exhibits, and the affidavit of Daniel Blanchette filed in support thereof (the "**Motion**");

GIVEN that this Court is satisfied that the Director appointed pursuant to the *CBCA* has been duly served with the Motion on June 14, 2013, and that the Director confirmed by email on June 18, 2013 that he will not be appearing at the presentation of the Motion for Interim Order.

GIVEN the provisions of the *CBCA*;

GIVEN the representations of counsel for Capital BLF inc.;

GIVEN that this Court is satisfied, at the present time, that the proposed transaction is an "arrangement" within the meaning of Section 192 of the *CBCA*;

GIVEN that this Court is satisfied, at the present time, that it is not practicable for the Petitioner to effect the arrangement proposed under any other provision of the *CBCA*;

GIVEN that this Court is satisfied, at the present time, that the Petitioner meets the requirements set out in Subsections 192(2)(a) and (b) of the *CBCA* in that the Petitioner. is not insolvent;

GIVEN that this Court is satisfied, at the present time, that the arrangement is put forward in good faith and, in all likelihood, for a valid business purpose;

FOR THESE REASONS, THE COURT:

[1] **GRANTS** the Interim Order sought in the Motion;

[2] **DISPENSES** Capital BLF inc. of the obligation, if any, to notify any person other than the Director appointed pursuant to the *CBCA* with respect to the Interim Order;

[3] **ORDERS** that all Shareholders be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order rendered herein;

The Meeting

[4] **ORDERS** that Capital BLF inc. may convene, hold and conduct the Meeting on August 1st, 2013, commencing at 2:30 p.m. (Montréal time) at the following location Centre Mont-Royal, Room Mansfield no. 2., 2200 Mansfield Street, Montréal, Québec, at which time the Shareholders will be asked, among other things, to consider and, if thought appropriate, to pass, with or without variation, the Arrangement Resolution substantially in the form set forth in the Arrangement Agreement and the Information Circular to, among other things, authorize, approve and adopt the Arrangement, and to transact such other business as may properly come before the Meeting, the whole in accordance with the terms, restrictions and conditions of the articles and by-laws of Capital BLF inc., the *CBCA*, and this Interim Order, provided that to the extent there is any inconsistency between this Interim Order and the terms, restrictions and conditions of the articles and by-laws of Capital BLF inc. or the *CBCA*, this Interim Order shall govern;

[5] **ORDERS** that in respect of the vote on the Arrangement Resolution or any matter determined by the Chair of the Meeting to be related to the Arrangement, each registered holder of Shares shall be entitled to cast one vote in respect of each such Share held;

[6] **ORDERS** that, on the basis that each registered holder of Shares be entitled to cast one vote in respect of each such Share for the purpose of the vote on the Arrangement Resolution, the quorum for the Meeting is fixed at one (1) Shareholder present in person or by proxy holding, in aggregate, ten percent (10%) of all the outstanding Shares;

[7] **ORDERS** that the only persons entitled to attend, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the registered Shareholders at the close of business on the Record Date (being June 27, 2013), their proxy holders, and the directors and advisors of Capital BLF inc., provided however that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;

[8] **ORDERS** that for the purpose of the vote on the Arrangement Resolution, or any other vote taken by ballot at the Meeting, any spoiled ballots, illegible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and further **ORDERS** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution;

[9] **ORDERS** that Capital BLF inc., if it deems it advisable, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further **ORDERS** that notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or by mail, as determined to be the most appropriate method of communication by Capital BLF inc.; further **ORDERS** that any adjournment or postponement of the Meeting will not change the Record Date for Shareholders entitled to notice of, and to vote at, the Meeting and further **ORDERS** that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[10] **ORDERS** that Capital BLF inc. may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time, provided that any such amendment, modification and/or supplement is not adverse to the economic interest of any Shareholder and that:

(a) any such amendment, modification and/or supplement made before or at the Meeting, shall be communicated in writing to the Shareholders and to the Director appointed pursuant to the *CBCA* as soon as possible and in any event prior to or at the Meeting;

(b) any such amendment, modification and/or supplement made after the Meeting and before the hearing of the Motion for the Final Order (as defined below) shall be approved by this Court and subject to such terms and conditions this Court may deem appropriate and required in the circumstances; and

(c) any such amendment, modification and/or supplement made after the Final Order hearing shall be approved by this Court and subject to such terms and conditions this Court may deem appropriate and required in the circumstances, unless it is non-material and concerns a matter which is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement.

[11] **ORDERS** that Capital BLF inc. is authorized to use proxies at the Meeting; that Capital BLF inc. is authorized, at its expense, to solicit proxies on behalf of its management, directly or through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine; and that Capital BLF inc. may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

[12] **ORDERS** that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of not less than two-thirds (66 2/3%) of the total votes cast on the Arrangement Resolution by the Shareholders present in person or by proxy at the Meeting and entitled to vote at the Meeting and must also be approved by the affirmative vote of at least 50% plus one vote of the total votes cast by the Shareholders excluding the vote of the directors and executive officers of BLF mentioned at paragraph 12 of the Motion; and further **ORDERS** that such vote shall be sufficient to authorize and direct Capital BLF inc. to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as this term is defined below);

The Notice Materials

[13] **ORDERS** that Capital BLF inc. shall give notice of the Meeting, and that service of the Motion for a Final Order shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of this Interim Order, together with the following documents, with such non-material amendments thereto as Capital BLF Inc. may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of this Interim Order (collectively, the "**Notice Materials**"):

(a) the Notice of Meeting substantially in the same form as contained at page 2 in **Exhibit R-1**;

(b) the Circular substantially in the same form as contained in **Exhibit R-1**;

(c) a Form of Proxy substantially in the same form as contained in **Exhibit R-6**, which shall be finalized by inserting the relevant dates and other information;

(d) a Letter of Transmittal substantially in the same form as contained in **Exhibit R-7**;

(e) a notice substantially in the form of the draft filed as **Exhibit R-8** providing, among other things, the date, time and room where the Motion for a Final Order will be heard, and that a copy of the Motion can be found on Capital BLF inc.'s Web site (the "**Notice of Presentation**");

[14] **ORDERS** that the Notice Materials shall be distributed:

(a) to the registered Shareholders by mailing the same to such persons in accordance with the *CBCA* and Capital BLF inc.'s by-laws at least twenty-one (21) days prior to the date of the Meeting;

(b) to the non-registered Shareholders, in compliance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

(c) to Capital BLF inc.'s directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person or by recognized courier service; and

(d) to the Director appointed pursuant to the *CBCA*, by delivering same prior to the close of business on July 8, 2013 in person or by recognized courier service;

[15] **ORDERS** that a copy of the Motion be posted on Capital BLF inc.'s website (www.capitalblf.com) at the same time the Notice Materials are mailed;

[16] **ORDERS** that the Record Date for the determination of Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be the close of business (Montréal time) on June 27, 2013;

[17] **ORDERS** that Capital BLF inc. may make, in accordance with this Interim Order, such additions, amendments or revision to the Notice Materials as it determines to be appropriate (the "**Additional Materials**"), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to this Interim Order by the method and in the time determined by Capital BLF inc. to be most practicable in the circumstances;

[18] **DECLARES** that the mailing or delivery of the Notice Materials and any Additional Materials in accordance with this Interim Order as set out above constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Motion need be made, or notice given or other material served in respect of the Meeting to any persons;

[19] **ORDERS** that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

(b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and

(c) in the case of delivery by facsimile transmission or by e-mail, on the day of transmission;

[20] **DECLARES** that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of Capital BLF inc., it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

Dissenting Shareholders' Rights

[21] **ORDERS** that in accordance with the Dissenting Shareholders' Rights set forth in the Plan of Arrangement, any registered Shareholder who wishes to dissent must provide a Dissent Notice so that it is received by the Secretary of Capital BLF inc. at 7250 Blvd. Taschereau, suite 200, Brossard, Québec, J4W 1M9 or by fax at (450) 672-9557 with a copy addressed to Petitioner's counsel, De Grandpré Chait LLP (Attn Mtre Michel G. Beaudin) by fax at (514) 878-5724 on or prior to 5:00 p.m. (Montréal time) on the second last Business Day immediately preceding

the date of the Meeting (as it may be adjourned or postponed from time to time);

[22] **DECLARES** that a Dissenting Shareholder who has submitted a dissent notice and who votes in favor of the Arrangement Resolution shall no longer be considered a Dissenting Shareholder with respect to the Shares voted in favor of the Arrangement Resolution, and that a vote against the Arrangement Resolution or an abstention shall not constitute a Dissent Notice;

[23] **ORDERS** that any Dissenting Shareholder wishing to apply to a Court to fix a fair value for Shares in respect of which Dissent Rights have been duly exercised must apply to the Superior Court of Québec and that for the purposes of the Arrangement contemplated in these proceedings, the "Court" referred to in Section 190 of the *CBCA* means the Superior Court of Québec;

The Final Order Hearing

[24] **ORDERS** that subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in this Interim Order, Capital BLF inc. may apply for this Court to sanction the Arrangement by way of a final judgment (the "**Motion for a Final Order**");

[25] **ORDERS** that the Motion for a Final Order be presented on August 16, 2013 before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse, located at 1 Notre-Dame Street East in Montréal, Québec, Room 16-12 at 9:00 a.m. or so soon thereafter as counsel may be heard, or at any other date this Court may see fit;

[26] **ORDERS** that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the Motion and good and sufficient notice of presentation of the Motion for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

[27] **ORDERS** that the only persons entitled to appear and be heard at the hearing of the Motion for a Final Order shall be Capital BLF inc. and any person that:

(a) files an appearance with this Court's registry and serve same on Petitioner's counsel, De Grandpré Chait, LLP (Attn Mtre L.B. Erdle), 1000 De la Gauchetière Suite 2900, or by fax at (514) 878-5725, no later than 5:00 p.m. on August 9, 2013; and

(b) if such appearance is with a view to contesting the Motion for a Final Order, serves on Capital BLF inc.'s counsel (at the above address and facsimile number), no later than 5:00 p.m. on

August 9, 2013, a written contestation supported as to the facts alleged by affidavit(s), and exhibit(s), if any;

[28] **ALLOWS** Capital BLF inc. to file any further evidence it deems appropriate, by way of supplementary affidavits or otherwise, in connection with the Motion for a Final Order;

Miscellaneous

[29] **DECLARE** that Capital BLF inc. shall be entitled to seek leave to vary this Interim Order upon such terms and such notice as this Court deems just;

[30] **ORDERS** that the Information Circular (Exhibit R-1 to the Motion) be placed under seal in the Court records by the Registry of this Court and that it not be disclosed, published or disseminated, directly or indirectly, until the final version thereof has been sent to the Shareholders and posted on SEDAR;

[31] **ORDERS** the Registrar/Special Clerk of this Court to deny access to the Circular to the public until the final version thereof has been sent to the Shareholders and posted on SEDAR;

[32] **ORDERS** provisional execution of this Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[33] **THE WHOLE** without costs.

Mark Schrager, J.S.C.

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NOTICE OF PRESENTATION OF THE FINAL ORDER

TAKE NOTICE that Capital BLF Inc. (BLF) has filed a *Motion for Interim and Final Orders in connection with Capital BLF Inc. proposed arrangement* (the "**Motion**") before the Superior Court of Québec, district of Montréal.

The Motion will be presented, for adjudication on the final order contained therein (the "**Final Order**"), to the Superior Court of the judicial district of Montréal in Room 16-12 of the Montréal Courthouse, located at 1 Notre-Dame East, in Montréal (Québec) on August 16, 2013 at 9:00 a.m. (Montréal Time) or as soon thereafter as Counsel may be heard, or at any other date the Court may see fit.

Pursuant to the interim order issued by the Superior Court of Québec on June 25, 2013 (the "**Interim Order**"), if you wish to appear or be represented before the Court, you will be required to file an Appearance form at the office of the Clerk of the Superior Court of the district of Montréal on or before August 9, 2013 and to serve a copy of the said Appearance form within the same time limit on Petitioner's Counsel, at the following address:

DE GRANPRÉ CHAIT LLP
c/o Me L. B. Erdle
1000 De La Gauchetière Street West, Suite 2900
Montréal, Québec H3B 4W5

If you wish to contest the issuance by the Court of the Final Order, or make representations in relation thereto, you will be required, pursuant to the Interim Order, to prepare written representations containing the reasons why the Court should not issue the Final Order. This written contestation must be supported as to the facts by affidavit(s), and exhibit(s) if any, and must be filed with the office of the Clerk of the Superior Court of the district of Montréal on or before August 9, 2013, and served within the same time limit on Petitioner's Counsel, at the above-mentioned address.

TAKE FURTHER NOTICE that, if you do not file an appearance and a written contestation within the above-mentioned time limits, you will not be entitled to contest the Final Order or make representations before the Court, and Petitioner will be granted a judgment without further notice or extension.

If you wish to make representations or contest the issuance by the Court of the Final Order, it is important that you take action within the time limits indicated, either by retaining the services of an attorney who will represent you and act in your name, or by doing so yourself in accordance with the formalities of the law.

DO GOVERN YOURSELVES ACCORDINGLY.

MONTREAL, June 25, 2013

(S) DE GRANDPRÉ CHAIT LLP

DE GRANDPRÉ CHAIT LLP
Attorneys for Petitioner,
CAPITAL BLF INC.

APPENDIX E

SECTION 190 OF THE CANADA BUSINESS CORPORATION ACT

SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT

Right to dissent

190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(*d*) that affects the holder or if the corporation resolves to

(*a*) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(*b*) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(*c*) amalgamate otherwise than under section 184;

(*d*) be continued under section 188;

(*e*) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(*f*) carry out a going-private transaction or a squeeze-out transaction.

Further right

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

If one class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

Payment for shares

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

No partial dissent

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

Objection

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

Notice of resolution

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

Demand for payment

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

(*a*) the shareholder's name and address;

(*b*) the number and class of shares in respect of which the shareholder dissents; and

(*c*) a demand for payment of the fair value of such shares.

Share certificate

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

Forfeiture

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

Endorsing certificate

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

Suspension of rights

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

(*a*) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),

(*b*) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or

(*c*) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

Offer to pay

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

(*a*) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or

(*b*) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

Same terms

(13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

Payment

(14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

Corporation may apply to court

(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

Shareholder application to court

(16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

Venue

(17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

No security for costs

(18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

Parties

(19) On an application to a court under subsection (15) or (16),

(*a*) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and

(*b*) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

Powers of court

(20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

Appraisers

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

Final order

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

Interest

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

Notice that subsection (26) applies

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

Effect where subsection (26) applies

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

(*a*) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or

(*b*) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

Limitation

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(*a*) the corporation is or would after the payment be unable to pay its liabilities as they become due; or

(*b*) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S., 1985, c. C-44, s. 190; 1994, c. 24, s. 23; 2001, c. 14, ss. 94, 134(F), 135(E); 2011, c. 21, s. 60(F). Definition of "reorganization"

APPENDIX F

PRO FORMA FINANCIAL STATEMENTS OF

BLF REAL ESTATE INVESTMENT TRUST

BLF REAL ESTATE INVESTMENT TRUST

Pro forma statement of financial position

(Unaudited)

As at March 31st 2013

Pro forma statement of comprehensive income

(Unaudited)

For the 12-month period ended March 31st 2013

July 2nd 2013

BLF REAL ESTATE INVESTMENT TRUST PRO FORMA
Unaudited
March 31st 2013

	Capital BLF Inc. Unaudited March 31st 2013	Notes	BLF REIT As at June 14th 2013	Notes	Plan of arrangement Adjustments	Notes	BLF REIT Proforma
Assets							
Investment properties	$ 69,639,293		$ -		$ -		$ 69,639,293
Deferred tax asset	-		-		-		-
Loan receivable	273,407		-		-		273,407
Non-current assets	69,912,700		-		-		69,912,700
Properties under development	1,577,662		-		-		1,577,662
Prepaid expenses	755,515		-		-		755,515
Trade and other receivables	222,105		-		-		222,105
Cash	3,293,596		10	2a	(10)	2a	3,293,596
Current assets	5,848,878		10		(10)		5,848,878
Total assets	**$ 75,761,578**		**$ 10**		**$ (10)**		**$ 75,761,578**
Liabilities							
Mortgages payable	$ 39,338,794		$ -		$ -		$ 39,338,794
Class B LP units					31,688,640	2a - 2f	31,688,640
Unit options					408,073	2b	408,073
Non-current liabilities	39,338,794		-		32,096,713		71,435,507
Current portion of mortgages payable	2,249,729		-		-		2,249,729
Trade and other payables	3,014,803		-		470,475	2a	3,485,278
Current liabilites	5,264,532		-		470,475		5,735,007
Equity							
Share capital	27,868,815		-		(27,868,815)	2a	
Contributed surplus	343,782		-		(343,782)	2b	-
Retained earnings	2,945,655		-		(470,475)	2a	
					(3,819,825)	2a	
					(64,291)	2b	(1,408,936)
Unitholders equity			10	2a	(10)	2a	-
Total equity	31,158,252		10		(32,567,198)		(1,408,936)
Total liabilities and equity	**$ 75,761,578**		**$ 10**		**$ (10)**		**$ 75,761,578**

BLF REAL ESTATE INVESTMENT TRUST PRO FORMA
Unaudited
March 31st 2013

Capital BLF Inc.
Proforma Statement of Comprehensive Income
(Unaudited)
For the twelve-month period ended March 31st 2013

	Capital BLF Inc. 12-month period ended March 31st 2013	Notes	2013 Acquisition 17-day period ended March 31st 2013	Notes	2013 acquisitons Year ended December 31st 2012	Notes	Proforma Adjustment	Notes	Proforma 12-month period ended March 31st 2013
Rental revenue from investment properties	$ 1,172,948	2c	$ (241,688)	2d	$ 5,153,079	2d	$ -		$ 6,084,339
Revenue from sale of properties under development	1,634,330	2c	-	2d	-	2d	-		1,634,330
	2,807,278	2c	(241,688)	2d	5,153,079	2d	-		7,718,669
Operating costs	606,029	2c	(69,062)	2d	2,061,856	2d	-		2,598,823
Cost of properties under developement sold	1,575,758	2c	-		-		-		1,575,758
	2,181,787	2c	(69,062)	2d	2,061,856	2d	-		4,174,581
Net operating income (loss)	**625,491**	2c	**(172,626)**	2d	**3,091,223**	2d	**-**		**3,544,088**
Net adjustment to faire value of investment properties	2,205,869	2c	(2,529,838)	2d	2,580,728	2d	-		2,256,759
Administrative expenses	(1,044,920)	2c	14,496	2d	(395,758)	2d	77,262	2f	
Unit options change in FMV							(185,550)	2f	(1,534,470)
Net finance costs	(649,903)	2c			(1,439,455)		2,089,358	2e	
							(1,399,771)	2e	
			-		-		(5,925,540)	2e	(7,325,311)
Net comprehensive income (loss)	**$ 1,136,537**	2c	**$ (2,687,968)**	2d	$ 3,836,738	2d	$ (5,344,241)		**$ (3,058,934)**

1. Basis of presentation:

BLF Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated June 14, 2013 and governed by the laws of the Province of Québec. The REIT incorporated BLF General Partner Corp. ("BLFGP") on June 14, 2013, and together with BLFGP formed BLF Limited Partnership ("BLFLP") on July 2nd 2013. Pursuant to a plan of arrangement to be approved by Capital BLF Inc. (the "Company") shareholders and the TSX Venture Exchange, shareholders will transfer their shares to BLFLP in exchange for REIT Units.

In addition, outstanding options to purchase shares in the Company will be exchanged for REIT options having identical terms, subject to the adjustments of the number units and strike price based on the exchange ratio of one unit for every 40 options held.

The accompanying unaudited pro forma financial statements of the REIT have been constructed from the audited financial statements of BLF Real Estate Investment Trust as at June 14th 2013, unaudited statement of financial position of the Company as at March 31, 2013, the audited Statement of Comprehensive Income of the Company for the year ended December 31, 2012, the unaudited Statement of Comprehensive Income of the Company for the three-month period ended March 31, 2012, the unaudited Statement of Comprehensive Income of the Company for the three-month period ended March 31, 2013, the audited Combined Carve-out Statements of Comprehensive Income of Brugnon Properties (“Brugnon”) for the year ended December 31, 2012, the audited Statement of Comprehensive Income of Monique Badeau and Partners Co-Ownership (“Loretteville”) for the year ended December 31, 2012 and the audited Income statement of la Société en commandite les immeubles 111-21 Mistral (“Mistral”) for the year ended December 31, 2012. The pro forma unaudited balance sheet gives effect to the transactions in note 2 as if they had occurred on March 31, 2013. The pro forma unaudited statement of comprehensive income gives effect to the transactions in note 3 as if they had occurred over the period from April 1, 2012 to March 31, 2013. The pro forma unaudited financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated, nor are they necessarily indicative of future operating results or the financial position of the REIT.

(a) Basis of presentation:

These pro forma unaudited financial statements have been prepared in accordance with International Financial Reporting Standards and incorporate the principal accounting policies used to prepare the Company’s December 31, 2012 audited financial statements.

(b) Investment property:

The REIT selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, the investment property is carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized

1. Basis of presentation (continued):

(b) Investment property (continued):

cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The REIT determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the REIT and the cost can be measured reliably.

(c) Revenue recognition:

The REIT has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment property includes all rental income earned from the property, including residential and commercial tenant rental income, parking income, laundry income, cable income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(e) Unitholders Equity:

BLF is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BLF to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit (“Redemption Price”), as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Declaration of Trust. BLF trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder, however they are presented as equity at June 14, 2013 in accordance with IAS 32.

(f) Class B LP Units:

The Class B LP Units are exchangeable into REIT Units at the option of the holder. The REIT Units are puttabe and, therefore, the Class B LP Units meet the definition of a financial liability under IAS 32, Financial Instrument – Presentation (“IAS 32”). Further, the Class B LP Units are designated as fair value through profit or loss financial liabilities and are measured at fair value at each reporting period with any changes in fair value recorded in profit or loss. The distributions paid on the Class B LP Units are accounted for as finance costs.

1. Basis of presentation (continued):

(g) Income taxes:

The REIT is a mutual fund trust and a real estate investment trust pursuant to the Income

Tax Act (Canada). Under current tax legislation, a real estate investment trust is entitled to deduct distributions of taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a real estate investment trust.

(h) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost.

Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The REIT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The REIT's cash and cash equivalents have been designated as loans and receivables; mortgage payable, accounts payable and accrued liabilities and tenant rental deposits have been designated as other liabilities. The REIT has neither available-for-sale nor held-to maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

1. Basis of presentation (continued):

(i) Unit-based compensation:

The REIT has a unit option plan, which provides holders with the right to receive REIT Units, which are puttable. The REIT measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period. The amounts are fair valued at each reporting period and the change in fair value is recognized as compensation expense. The unit-based compensation is presented as a liability.

(j) Critical judgements and estimates:

The preparation of pro forma unaudited financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgements in these pro forma financial statements. The estimates and judgements used in determining the recorded amount for assets and liabilities in the pro forma financial statements include the following:

(i) Investment property:

The critical assumptions and estimates used when determining the fair value of investment property are capitalization rates and future cash flows.

(ii) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The REIT's acquisitions are generally determined to be asset purchases as the REIT does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Other:

Critical judgements and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the REIT to its counterparties; the credit risk of the REIT's counterparties relative to the REIT; the estimated future cash flows; and discount rates.

2. Pro forma adjustments:

The pro forma adjustments to the unaudited pro forma financial statements have been prepared to account for the closing of the plan of arrangement contemplated in the Information Circular and the acquisitions which were completed on March 15, 2013 as described below:

(a) Establishment of BLF REIT and plan of arrangement:

The REIT was established pursuant to the Declaration of Trust dated June 14, 2013 when 1

Trust Unit was issued for cash consideration of $10. As part of the plan of arrangement, this Trust Units will be redeemed by the REIT.

This pro forma assumes that upon completion of the plan of arrangement zero common share of the Company will be exchanged for REIT Units on the basis of one unit in the REIT for every 40 common shares of the Company. Company options are assumed to be exchanged for REIT options on the basis of the same exchange ratio of 40 Company options to 1 REIT option and the strike price is also adjusted on the same conversion ratio basis. The remaining 132,035,999 common shares are assumed to be exchanged for Class B LP Units in BLF Limited Partnership on the basis of one Class B LP Unit for every 40 common shares of the Company (3,300,900 Class B LP Units). These Class B LP Units meet the definition of a financial liability under IAS 32. Further, the Class B LP Units are designated as fair value through profit or loss financial liabilities and are measured are fair value based on the trading price of the underlying trust units at each reporting period with any changes in fair value recorded in profit or loss. For the purpose of the pro forma statement of financial position, the fair value of the Class B LP Units was $31,688,640

Since Class B LP units replicate the economic and voting right of the REIT units, we assumed they have the same market value.

Since the REIT units have essentially the same economic and voting right as the common shares of the Company, we assumed that the value of one REIT unit is equal to 40 common shares of the Company.

Since it is assumed that all common shares of the Company will be converted to Class B LP units and that Class B LP units are considered as a liability in the REIT pro forma, the Share capital has been reduced to $0, the estimated fair market of the Class B LP units has been added as a liability in the pro forma and the difference has been considered as an adjustment to Retained earnings.

Costs associated with the plan of arrangement are estimated to be $470,475.

(b) Unit options;

During the pro forma period, 4 different options were outstanding.

- 1,250,000 options giving the holders the right to exchange for 1 share of the Company at $0.20/share. The options expired on May 28th 2012. The value of the options using Black&Scholes option valuation model is estimated to be nil.
- 515,340 options giving the holders the right to exchange for 1 share of the Company at $0.35/share. The options expired on March 31st 2013. The value of the options using Black&Scholes option valuation model is estimated to be nil.

2. Pro forma adjustments (continued):

(b) Unit options (Continued);

- 1,220,000 options giving the holders the right to exchange for 1 share of the Company for $0.10/share. The options will expire on June 5th 2014. The value of the options, using Black&Scholes options valuation model, is estimated at $159,515 as at March 31st 2013.
- 6,601,800 options giving the holders the right to exchange for 1 share of the Company for $0.28/share. The options will expire on March 14th 2018. The value of the options, using Black&Scholes options valuation model, is estimated at $248,558 as at March 31st 2013.

The assumptions used to estimate the options with the Black&Scholes model are:

- Canada bonds interest rate for the appropriate term as an estimate of the risk free rate.
- The share price at date of estimate.
- A dividend yield equal to 0.0092$/share or 4% on a 0.23$ stock price adjusted for 40 for 1 exchange rate.
- Volatility rate of 32.5%

As at March 31st 2013, the total value of the outstanding options is estimated at $408,073.

Since the options will be considered as liabilities in the REIT financial statements, we adjusted the Contributed surplus of the Corporation to have a $0 balance in the REIT, added the fair market value of the outstanding options as at March 31st 2013 as a liability and considered the difference to be an adjustment to the retained earnings.

All the above Company options that are not expired will be exchanged for REIT options at an exchange ratio of 40 to 1 at same terms and conditions except for the strike price of the REIT options that will be adjusted accordingly to the 40 to 1 exchange ratio.

(c) Capital BLF inc unaudited pro forma Statement of comprehensive income for the 12-month period ended March 31st 2013 was produced as follow using:

- The 2012 audited statement of comprehensive income;
- less the statement of comprehensive income for the three-month period ended March 31st 2012
- plus the statement of comprehensive income for the three-month period ended March 31st 2013

2. Pro forma adjustments (continued):

(c) Capital BLF inc unaudited pro forma Statement of comprehensive income for the 12-month period ended March 31st 2013 (continued);

Capital BLF Inc.
Adjustment to Statement of Comprehensive income
(Unaudited)
12-month period ended March 31st 2013

	Capital BLF Inc. Audited 2012	Adjustments Unaudited three-month ended March 31st 2012	Adjustments Unaudited three-month ended March 31st 2013	Capital BLF Inc. Unaudited 12-months ended March 31st 2013
Rental revenue from investment properties	$ 984,003	$ (266,914)	$ 455,859	$ 1,172,948
Revenue from sale of properties under development	1,983,330	(524,000)	175,000	1,634,330
	2,967,333	(790,914)	630,859	2,807,278
Operating costs	570,420	(143,912)	179,521	606,029
Cost of properties under developement sold	1,823,154	(440,714)	193,318	1,575,758
	2,393,574	(584,626)	372,839	2,181,787
Net operating income (loss)	**573,759**	**(206,288)**	**258,020**	**625,491**
Net adjustment to faire value of investment properties	125,782	-	2,080,087	2,205,869
Administrative expenses	(885,867)	182,306	(341,359)	(1,044,920)
Unit options change in FMV				
Net finance costs				
Net finance costs	(223,450)	65,928	(492,381)	(649,903)
Net comprehensive income (loss)	**$ (409,776)**	**$ 41,946**	**$ 1,504,367**	**$ 1,136,537**

(d) Adjustment for results of the Mistral, Brugnon and Loretteville properties acquired on March 15th 2013:

To reflect as if the properties acquired on March 15th 2013 were acquired on April 1st 2012:

- the revenue, cost and expenses coming from those properties in the 1st quarter of 2013 was deducted from the 12-month statement of comprehensive income for the 12-month period ended March 31st 2013 and
- We included the revenue, cost and expenses from the audited statement of comprehensive income for the year ended December 31, 2012 for the three properties acquired in March 15th 2013.

The following table details the audited statement of comprehensive income for the year ended December 31, 2012 for the three properties and the pro forma unaudited combined statement of comprehensive income for the year ended December 31st 2012.

2. Pro forma adjustments (continued):

(d) Adjustment for results of the Mistral, Brugnon and Loretteville properties acquired on March 15th 2013 (Continued);

	Brugnon Audited - Year ended December 31st 2012	Mistral Audited - Year ended December 31st 2012	Loretteville Audited - Year ended December 31st 2012	2013 acquistions Unaudited proforma - Year ended December 31st 2012
Rental revenue from investment properties	$ 2,571,348	$ 1,890,077	$ 691,654	$ 5,153,079
Operating costs	802,171	902,629	357,056	2,061,856
Net operating income	**1,769,177**	**987,448**	**334,598**	**3,091,223**
Net adjustment to faire value of investment properties	2,040,751	-	539,977	2,580,728
Administrative expenses	(156,819)	(178,389)	(60,550)	(395,758)
Unit options change in FMV				
Net finance costs				
Net finance costs	(923,270)	(281,027)	(235,158)	(1,439,455)
Net comprehensive income	**$ 2,729,839**	**$ 528,032**	**$ 578,867**	**$ 3,836,738**

(e) Finance costs:

Since mortgage loans are significantly different from the historical mortgage loans of the properties, management adjusted the finance cost to reflect the estimated finance cost for the 12-month period ending March 31st 2014 of the mortgage loans engaged as at March 31st 2013. The total estimated financing charges is equal to $1,399,711 or 3.37% on the total mortgage loan balance of $41,588,523 as at March 31st 2013.

Since Class B LP units are considered as liability and that they are FVTPL (see note 1g, 1j and 2a for more details), the variation in value during the 12-month period ending March 31st 2013 is considered as a finance cost in this pro forma. The following table show the estimated variation in value of the Class B LP units during the 12-month period ended March 31st 2013:

Estimated value of Class B LP units

Date	Qty	Price	Value	Value beginning	Value as at March 31st 2013	Change in value
31/03/2012	29,861,999	0.11	3,284,820	3,284,820		
31/03/2013	29,861,999	0.24	7,166,880		7,166,880	3,882,060
15/03/2013	102,174,000	0.22	22,478,280	22,478,280		
31/03/2013	102,174,000	0.24	24,521,760		24,521,760	2,043,480
				25,763,100	31,688,640	5,925,540

The above table is using the outstanding share before conversion the help the reader understand how the value was estimated.

2. Pro forma adjustments (continued):

(e) Finance costs:

The following table show the same estimates but with the exchange ratio of 40 for 1 applied to reflect the pro forma outstanding units:

Estimated value of Class B LP units

Date	Qty	Price	Value	Value beginning	Value as at March 31st 2013	Change in value
31/03/2012	746,550	4.40	3,284,820	3,284,820		
31/03/2013	746,550	9.60	7,166,880		7,166,880	3,882,060
15/03/2013	2,554,350	8.80	22,478,280	22,478,280		
31/03/2013	2,554,350	9.60	24,521,760		24,521,760	2,043,480
				25,763,100	31,688,640	5,925,540

(f) Administrative expenses:

Administrative expenses have been reflected for the 12 month period ended March 31, 2013 reflecting management's best estimate of general and administrative expenses for the REIT. Administrative expenses include legal fees, audit fees, trustee fees, annual report costs, transfer agents fees and other miscellaneous costs. Pursuant to the March 15th 2013 private placement, First Investor LP ("First Investor") will provide asset management services. First Investor will be entitled to an asset management fee of 0.35% on the purchase price of the property.

The adjustment to administrative expenses is detailed as follow:

Administrative expenses proforma adjustment		
Cost of all assets		61,900,000
Proforma rental revenue 12-month period		6,084,339
First Investor LP asset management fee (taxes included)	0.35% of cost of asset	249,093
Taxes on asset management fee		37,302
Other administrative expenses (taxes included)		150,000
Adjustment for Multigest 2012 AM fees		-392,216
Adjustment for administration expenses included in March 2013 acquisitions' audited results		-395,758
Adjustment for amortization of the March 15th 2013 options compensation		-5,502
Property mangement fee (taxes included)	4.00% of rental revenue	243,374
Taxes on property management fee		36,445
Total adjustment to adminstrative expenses		-77,262

The fair value variation of the option outstanding from March 31st 2012 to March 31st 2013 is considered as compensation. The fair market value variation of the outstanding options as been estimated at $185,500 using Black&Scholes option valuation model.

2. Pro forma adjustments (continued):

(g) Income taxes:

The REIT assumes that on closing and beyond, it will meet the REIT conditions, as described in note 2(g).

3. Unitholders' equity:

The REIT is authorized to issue an unlimited number of units and an unlimited number of Special voting units. Each unit confers the right to one vote at any meeting of unitholders and to participate pro rata in all distributions by the REIT and in the event of termination or winding-up of the REIT, in the net assets of the REIT. Each Special Voting Unit confers the right to one vote at any meeting of the unitholders.

At the completion of the plan of arrangement, 132,035,999 common shares of the Company were assumed to have been exchanged for Class B LP Units on the basis of one Class B LP Unit for every 40 common shares of the Company.

APPENDIX

Appendix 1: BLF REAL ESTATE INVESTMENT TRUST - Audited Financial Statements - June 14, 2013 (date of formation)

Appendix 2: CAPITAL BLF INC.- Audited Financial Statements - Years ended March 31st 2012 and 2011.

Appendix 3: CAPITAL BLF INC – Unaudited Condensed Interim Financial Statements - Three-month periods ended March 31st 2013 and 2012.

Appendix 4: CAPITAL BLF INC. – Unaudited Condensed Interim Financial Statements - Three-month periods ended March 31st 2012 and 2011.

Appendix 5: BRUGNON PROPERTIES - Audited Combined Carve-Out Financial Statements - Year ended December 31st 2012

Appendix 6: MONIQUE BEADEAU AND PARTNERS CO-OWNERSHIP - Audited Financial Statements - Year ended December 31st 2012

Appendix 7: LA SOCIÉTÉ EN COMMANDITE LES IMMEUBLES 1111-21 MISTRAL - Independent Auditor’s Report and Financial Statements - December 31st 2012

APPENDIX 1

BLF REAL ESTATE INVESTMENT TRUST

Audited Financial Statements

June 14, 2013 (date of formation)

Financial Statements of

BLF REAL ESTATE INVESTMENT TRUST

June 14, 2013 (date of formation)

KPMG LLP
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Montréal (Québec) H3A 0A3

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Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Trustees of BLF Real Estate Investment Trust

We have audited the accompanying financial statements of BLF Real Estate Investment Trust, which comprise the balance sheet, the statements of changes in unitholders' equity and cash flows as at June 14, 2013 (date of formation), and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of BLF Real Estate Investment Trust as at June 14, 2013 (date of formation) in accordance with International Financial reporting Standards.

KPMG LLP*

June 28, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A105973

BLF REAL ESTATE INVESTMENT TRUST

Financial Statements

June 14, 2013 (date of formation)

Financial Statements

BLF REAL ESTATE INVESTMENT TRUST

Balance Sheet

June 14, 2013 (date of formation)

Assets

Cash	$	10
Unitholders' Equity	$	10

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

Trustee

BLF REAL ESTATE INVESTMENT TRUST

Statement of Changes in Unitholders' Equity

June 14, 2013 (date of formation)

Issuance of units on formation	$	10
Unitholders' equity as at June 14, 2013	$	10

See accompanying notes to financial statements.

BLF REAL ESTATE INVESTMENT TRUST

Statement of Cash Flows

June 14, 2013 (date of formation)

Financing activities:		
Issuance of units	$	10
Increase in cash, being cash as at June 14, 2013	$	10

See accompanying notes to financial statements.

BLF REAL ESTATE INVESTMENT TRUST

Notes to Financial Statements

June 14, 2013 (date of formation)

BLF Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust dated June 14, 2013, when one trust unit was issued for a cash consideration of $10, and governed by the laws of the Province of Québec. To date, there have been no operations. The registered office of the REIT is at 7250, boul. Taschereau, Brossard, Québec, Canada J4W 1M9. The principal business of the REIT is to acquire multi-suite residential rental properties across Canada.

1. Statement of compliance:

The financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Board of Trustees of the REIT on June 27, 2013.

2. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates fair value. As at June 14, 2013, there were no cash equivalents.

(b) Critical judgments and estimates:

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses as at June 14, 2013. Actual results could differ from those estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

3. Unitholders' equity:

BLF is authorized to issue an unlimited number of trust units. Each trust unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. The unitholders have the right to require BLF to redeem their trust units on demand. Upon receipt of the redemption notice, all rights to and under the trust units tendered for redemption are surrendered and the holder thereof is entitled to receive a price per trust unit ("Redemption Price") as determined by a market formula. The Redemption Price is to be paid in accordance with the conditions provided for in the Contract of Trust. BLF trust units are considered liability instruments under IFRS because the units are redeemable at the option of the holder. However they are presented as equity at June 14, 2013 in accordance with IAS 32, *Financial Instruments: Presentation*.

On June 14, 2013, the REIT issued one trust unit for cash proceeds of $10.

4. Subsequent events:

(a) On July 2, 2013, the REIT entered into an arrangement agreement whereby the REIT or its subsidiary, BLF Limited Partnership ("BLFLP"), will issue units of BLFLP to acquire 100% of the shares of Capital BLF Inc. (the "Company"). The plan of arrangement is subject to the approval of the shareholders of the Company. In addition, the REIT's Board of Trustees intends to issue options with similar terms to replace the options issued by the Company.

(b) Immediately following the closing of the plan of arrangement, BLFLP shall assume all the obligations of the Company pursuant to the Asset Management Agreement with First Investor Limited Partnership ("First Investor"), a related party by virtue of common management, to provide asset management and other services to the REIT, including managing the portfolio of multi-suite residential rental properties and providing management personnel and support services. The agreement includes an annual fee based on 0.35% of historical purchase price of the properties and any subsequent capital expenditures incurred on the properties.

The Asset Management Agreement includes an acquisition fee paid by the REIT to First Investor for services provided in connection with the acquisition of properties. The fee range is 0.50% to 0.75% of the cost of acquired property.

APPENDIX 2

CAPITAL BLF INC.

Audited Financial Statements

Years ended March 31st 2012 and 2011.

Financial Statements of

CAPITAL BLF INC.

Years ended December 31, 2012 and 2011

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Capital BLF Inc.

We have audited the accompanying financial statements of Capital BLF Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Capital BLF Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

KPMG LLP*

March 27, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A105973

CAPITAL BLF INC.

Financial Statements

Years ended December 31, 2012 and 2011

Financial Statements

CAPITAL BLF INC.

Statements of Financial Position

December 31, 2012 and 2011

	Note	2012	2011
Assets			
Investment properties	4	$ 10,341,169	$ 12,104,002
Loan receivable	4	269,512	–
Deferred tax asset	11	473,965	380,509
Non-current assets		11,084,646	12,484,511
Properties under development	5	1,720,003	1,299,940
Prepaid expenses and deposits		405,999	79,978
Trade and other receivables	6	367,721	48,357
Cash		309,259	39,180
Current assets		2,802,982	1,467,455
Total assets		$ 13,887,628	$ 13,951,966
Liabilities			
Mortgages payable	7	$ 2,321,050	$ 2,366,320
Promissory note	8	500,000	–
Deferred tax liability	11	473,965	380,509
Non-current liabilities		3,295,015	2,746,829
Current portion of mortgages payable	7	1,653,108	2,560,265
Bank loan	8	–	470,000
Trade and other payables		1,581,829	407,420
Current liabilities		3,234,937	3,437,685
Equity			
Share capital	9	5,578,108	5,578,108
Contributed surplus		338,280	338,280
Retained earnings		1,441,288	1,851,064
Total equity		7,357,676	7,767,452
Total liabilities and equity		$ 13,887,628	$ 13,951,966

The notes on pages 5 to 28 are an integral part of these financial statements.

CAPITAL BLF INC.

Statements of Comprehensive Income

Years ended December 31, 2012 and 2011

	Note	2012	2011
Rental revenue from investment properties		$ 984,003	$ 1,103,937
Revenue from sale of properties under development		1,983,330	977,880
		2,967,333	2,081,817
Operating costs		570,420	580,496
Cost of properties under development sold		1,823,154	843,876
		2,393,574	1,424,372
Net operating income		573,759	657,445
Net adjustment to fair value of investment properties	4	125,782	466,040
Administrative expenses		(885,867)	(802,056)
Net finance costs	18	(223,450)	(260,573)
Net (loss) income total comprehensive income for the year		$ (409,776)	$ 60,856
Earnings per share:			
Basic and diluted	12	$ (0.0137)	$ 0.0020

The notes on pages 5 to 28 are an integral part of these financial statements.

CAPITAL BLF INC.

Statements of Changes in Equity

Years ended December 31, 2012 and 2011

	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2011	$ 5,578,108	$ 338,280	$ 1,790,208	$ 7,706,596
Net income	–	–	60,856	60,856
Balance at December 31, 2011	5,578,108	338,280	1,851,064	7,767,452
Net loss	–	–	(409,776)	(409,776)
Balance at December 31, 2012	$ 5,578,108	$ 338,280	$ 1,441,288	$ 7,357,676

The notes on pages 5 to 28 are an integral part of these financial statements.

CAPITAL BLF INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	Note	2012	2011
Cash flows from operating activities:			
Net (loss) income for the year		$ (409,776)	$ 60,856
Adjustment for:			
Net adjustment to fair value of investment properties		(125,782)	(466,040)
Net finance costs	18	223,450	260,573
		(312,108)	(144,611)
Change in other non-cash operating working capital	13	1,370,673	670,380
Net cash from operating activities		1,058,565	525,769
Cash flows (used in) from financing activities:			
(Reimbursement) proceeds of bank loan		(470,000)	470,000
Proceeds from promissory note		500,000	–
Mortgage loan reimbursements		(98,783)	(97,988)
Interest paid		(222,130)	(260,085)
Net cash (used in) from financing activities		(290,913)	111,927
Cash flows (used in) from investing activities:			
Acquisition of investment properties		(815,686)	(2,533,725)
Proceeds from sale of investment properties		318,113	–
Interest received		–	2,411
Net cash used in investing activities		(497,573)	(2,531,314)
Net change in cash		270,079	(1,893,618)
Cash, beginning of year		39,180	1,932,798
Cash, end of year		$ 309,259	$ 39,180

The notes on pages 5 to 28 are an integral part of these financial statements.

1. Reporting entity:

Capital BLF Inc. (the "Company") is a company domiciled in Canada and the address of the Company's registered office is 7250, boulevard Taschereau, suite 200, Brossard, Québec, J4W 1M9. The Company, incorporated under the *Canada Corporations Act*, started its operations on March 30, 2007 as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange Inc.

Capital BLF Inc.'s activities are based on nine multi-residential properties, three of which are for sale in undivided co-ownership and one was sold in April 2012.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Board of Directors on March 27, 2013.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investment properties which is measured at fair value in the statements of financial position.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars which is the Company's functional currency.

(d) Critical judgments and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued):

(d) Critical judgments and estimates (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 4 - classification of investment properties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

Note 4 - valuation of investment properties.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investment property:

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs and other transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

When the Company begins to redevelop an existing property for eventual sale, it is reclassified to properties under development and its fair value at the date of reclassification becomes its cost for subsequent accounting.

(b) Property under development:

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held-for-rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Cost is comprised of the acquisition cost of co-ownership units to be converted, the specific development costs of the units and a portion of the costs related to the development of the common areas, financing costs and operating expenses. Property under development is not amortized.

3. Significant accounting policies (continued):

(b) Property under development (continued):

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to completion and the estimated costs of sale.

(c) Revenue:

(i) Rental revenue:

Rental revenue from investment properties leased out under operating leases is recognized in comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognized as an integral part of the total rental revenue. Rental revenues include residential rents and parking fees.

The Company commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date.

Cancellation fees or premiums received to terminate leases are recognized in profit or loss when they arise.

(ii) Sale of properties under development:

Revenue from the sale of properties under development is recognized in comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, generally upon transfer of the property deed.

(d) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3. Significant accounting policies (continued):

(d) Income taxes (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(e) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loan receivable.

Cash comprise cash balances with banks.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(ii) Non-derivative financial liabilities (continued):

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: promissory note, mortgages payable and trade and other payables.

(iii) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(f) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period during which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(g) Earnings per share:

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, due to share options granted.

3. Significant accounting policies (continued):

(h) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(i) Finance income and finance costs:

Finance income comprises interest income on funds invested and loan receivable. Interest income is recognized as it accrued in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, promissory note and accretion of effective interest on mortgage loans payable and promissory note.

(j) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(k) New standards and interpretations not yet adopted:

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company does not expect that this standard will result in a material impact to the financial statements.

4. Investment properties:

At the time of acquisition of a real estate property, the Company considers whether the acquisition represents the acquisition of a business, i.e. where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The number of investment property owned by the acquire;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquire;
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition of real estate property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

	2012	2011
Balance at beginning of period	$ 12,104,002	$ 10,069,102
Acquisitions of investment properties	–	1,836,108
Sale of investment properties	(1,443,442)	–
Capital expenditures	815,686	697,617
Transfer to properties under development (see note 5)	(1,260,859)	(964,865)
Fair value adjustment	125,782	466,040
Balance at end of period	$ 10,341,169	$ 12,104,002

During the year ended December 31, 2011, the Company acquired one investment property located in Montréal, Québec, for a total consideration of $1,836,108 in cash, including transaction costs of $36,108.

4. Investment properties (continued):

In April 2012, the Company sold one of its investment properties located in Dorval, for a total price of $1,500,000. The acquirer assumed the mortgage of $862,887. The balance of the purchase price was paid in cash of $318,113 and a vendor take back non-interest bearing loan receivable of $319,000, guaranteed by a secured lien against the property sold, which is to be reimbursed at the latest in April 2016. This loan receivable was discounted by $56,558 to reflect interest over the four-year term.

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment properties comprise a number of multi-residential properties that are leased to third parties generally for a non-cancellable period of one year. No contingent rents are charged. See note 19 for information relating and leases in place.

The range of yields applied to the net annual rents to determine the fair value of property whose current prices in an active market are unavailable, therefore is estimated to be between 4% and 5.85% (2011 - 4% and 6.15%).

In October 2012, contamination was found on the property of Alger. The corporation has incurred a cost of $165,405 as at December 31, 2012 and estimated future cost of approximately $270,000 to complete the decontamination throughout 2013. The fair value of the Alger Property has been adjusted to reflect these costs. In addition, the corporation is evaluating its recourse against the previous owners and/or environmental evaluators used in relation to the environmental assessment at acquisition.

Transfers to properties under development are the transfers made as part of the conversion project of investment properties to co-ownership units (see note 5).

5. Properties under development:

	2012	2011
Balance at beginning of period	$ 1,299,940	$ 742,481
Transfers from investment properties	1,260,859	964,865
Renovation work	890,763	329,533
Cost of properties sold	(1,685,559)	(736,939)
Provision for impairment	(46,000)	–
Balance at end of period	$ 1,720,003	$ 1,299,940

During the year ended December 31, 2012, the Company sold 11 undivided co-ownership units and 10 parking spaces (2011 - 7 undivided co-ownership units and 2 parking spaces).

As at December 31, 2012, properties under development comprised 13 units and 7 indoor parking spaces (2011 - 13 units and 12 indoor parking spaces).

6. Trade and other receivables:

	2012	2011
Trade receivables	$ 12,537	$ 10,240
Receivable from undivided co-ownership unit sales	319,925	–
Other receivables	35,259	38,117
	$ 367,721	$ 48,357

The Company's exposure to credit and current risks related to trade and other receivables is disclosed in note 16.

7. Mortgages payable:

	2012	2011
Mortgages as at December 31, 2012	$ 3,976,718	$ 4,937,387
Less financing fees	(2,560)	(10,802)
	3,974,158	4,926,585
Current portion of mortgages payable	1,653,108	2,560,265
	$ 2,321,050	$ 2,366,320

(a) In July 2012, the avenue Dorval mortgage amounting to $1,620,699 was renewed.

The mortgage is secured by two immovable hypothecs on the income-producing properties having a net fair value of approximately $3,450,000. It bears interest at an annual rate of 1.91% payable monthly and maturing in July 2013.

(b) In July 2009, as part of the acquisition of the four properties in Québec, the Company assumed the existing mortgage.

The mortgage is secured by two immovable hypothecs on income-producing properties, having a fair value of approximately $5,649,000. It bears interest at an annual rate of 5.17% payable monthly and maturing on April 10, 2017.

The Company assumed the sellers' mortgages secured by the acquired properties on which the mortgage lender also held a guarantee from the sellers until December 12, 2012.

Future principal payments on the mortgages payable are as follows:

	Scheduled repayments	Principal maturity	Total
2013	$ 53,514	$ 1,599,594	$ 1,653,108
2014	56,316	–	56,316
2015	59,265	–	59,265
2016	62,369	–	62,369
2017	2,145,660	–	2,145,660
	$ 2,377,124	$ 1,599,594	$ 3,976,718

8. Bank loan:

The Company had a $900,000 operating line of credit that matured on April 30, 2012.

The line of credit was not renewed after expiry in April 30, 2012.

As at December 31, 2012, nil (2011 - $470,000) was drawn under the operating line of credit.

In March 2012, the Company issued a $500,000 promissory note that bears interest at the rate of 5% to an unrelated individual. These funds were used to reimburse the operating line of credit in full since the Company had started to sell undivided co-ownership units at the Lajeunesse property in 2012.

9. Share capital:

(a) Authorized:

Unlimited number of common shares, voting, participating, without par value

(b) Issued and fully paid:

	2012	2011
29,861,999 common shares	$ 5,578,108	$ 5,578,108

10. Share-based payments:

On March 31, 2008, in accordance with the policies of the TSX Venture Exchange Inc., the Company adopted a resolution for the issuance to directors and officers of a maximum of 736,200 common shares at a price of $0.35 per share pursuant to options to be granted to directors and officers. On March 31, 2008, the Company granted to its directors a total of 515,340 common share options of the Company at a price of $0.35 per share expiring on March 31, 2013. In accordance with the share option plan of the Company, these options were immediately vested.

On June 5, 2009, the Company granted its directors and officers a total of 1,220,000 options to purchase common shares of the Company at a price of $0.10 per share, expiring on June 5, 2014. In accordance with the share option plan of the Company, these options were immediately vested.

During the year ended December 31, 2012, the Company accounted for a share-based compensation charge in the amount of nil (2011 - nil) for options granted to its directors.

The Company had 1,735,340 options outstanding at an average exercise price of $0.174 as at December 31, 2012 and 2011.

10. Share-based payments (continued):

The following table summarizes information about equity-settled options outstanding and exercisable as at December 31, 2012:

Exercise price	Options outstanding	Options exercisable	Remaining contractual life (in years)
$0.35	515,340	515,340	0.25
$0.10	1,220,000	1,220,000	1.43

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

11. Income taxes:

(a) Deferred tax assets:

Deferred income taxes, if any, reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. Significant components of the Company's future tax attributes are as follows:

	2012	2011
Deferred tax assets:		
Non-capital losses	$ 433,687	$ 289,733
Eligible capital properties	1,773	1,906
Share issue costs	2,505	88,870
	437,965	380,509
Deferred tax liabilities:		
Fixed assets	437,965	380,509
Deferred income taxes	$ –	$ –

11. Income taxes (continued):

(a) Deferred tax assets (continued):

The tax losses expire between 2027 and 2031. Deferred tax assets have not been recognized in respect of a portion of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

(b) Reconciliation of effective tax rate:

	2012	2011
Earnings for the period before income taxes	$ (409,776)	$ 60,856
Basic income tax rate	26.9%	28.4%
Computed income tax expense	(110,230)	17,283
Income tax adjustments resulting from:		
Non-taxable fair value adjustment	(16,918)	(66,178)
Recognition of previously unrecognized tax losses	143,954	116,584
Recognition of previously unrecognized temporary differences	–	–
Rate variations and other	(16,806)	(67,689)
	$ –	$ –

(c) As at December 31, 2012, the Company had the following non-capital loss carryforwards:

2027	$ 50,044
2028	491,580
2029	572,414
2030	365,368
2031	1,011,273
2032	1,165,430
Total	$ 3,656,109

12. Earnings per share:

Basis earnings per share:

The calculation of basic and diluted earnings per share as at December 31, 2012 was based on net loss attributed to common shareholders of ($409,776) (2011 net income - $60,856) and a weighted average number of common shares outstanding of 29,861,999.

Weighted average number of common shares:

	2012	2011
Issued common shares	29,861,999	29,861,999
Weighted average number of outstanding shares		
Basic	29,861,999	29,861,999
Plus impact of stock options	–	59,765
	29,861,999	29,921,764

The calculations above exclude 1,735,340 of stock options (2011 - 1,765,340) for the period ended December 31, 2012, determined to have an antidilutive effect.

13. Additional information on cash flows:

The net change in non-cash operating working capital items is as follows:

	2012	2011
Decrease in properties under development	$ 840,796	$ 407,406
(Increase) decrease in prepaid expenses and deposits	(326,021)	7,612
(Increase) decrease in trade and other receivables	(319,364)	103,846
Increase in trade and other payables	1,175,262	151,516
	$ 1,370,673	$ 670,380

14. Related party transactions:

The following tables summarize the Company's related party transactions concluded with companies under control of the directors of the Company and immediate family of one of the directors:

	2012	2011
Multigest Management Inc., a company controlled by directors of the Company		
Conversion fees included in trade and other payables	$ 488,177	$ 167,319
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company		
Management fees included in trade and other payables	6,613	6,618
Costs recharge included in trade and other payables	21,378	26,331

For the years ended	2012	2011
Multigest Management Inc., a company controlled by directors of the Company		
Conversion fees included in additions in properties under development	$ 177,318	$ 166,081
Management fees included in administrative expenses	392,216	415,188
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company		
Costs recharged included in additions to investment properties	60,448	103,254
Management fees included in operating costs	27,125	25,294
The immediate family of two of the directors of the Company		
Salary included in administrative expenses and in operating expenses	70,638	57,008

Effective January 1, 2011, the Company and Multigest Management Inc. ("Muligest") agreed to modify the Property Management Agreement, which was signed March 31, 2009, in order to clarify the management fees which are established as a percentage of the Company's assets.

In addition, to the management fees, the directors and executive officers participate in the company's share option program (note 10).

14. Related party transactions (continued):

The directors of the Company control 38% of the voting shares of the Company.

The contract with Multigest ended March 5, 2013, and new agreements are established with First Investor, a company owned by directors of the Corporation (note 21).

15. Compensation of key management personnel and directors:

Key management personnel and director compensation is as follows:

For the years ended	2012	2011
Directors' compensation	$ 59,500	$ 50,834
Multigest Management fees [(i)]	392,216	415,188

(i) The former Company's President and Chief Executive Officer, Mr. Claude Blanchet, the former Chief Financial Officer, Mr. Pierre Martel, and the Chief Operating Officer, Mr. Marc Marois, are compensated through the Management Company Multigest (see note 14 for details of the Management Agreement).

On December 14, 2012, the Company's President and Chief Executive officer changed to Mr. Mathieu Duguay as well as the Chief Financial Officer was changed to Mr. Daniel Blanchette. No remuneration has been incurred up to December 31, 2012.

16. Financial instruments:

(a) Credit risk:

(i) Exposure to credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's trade receivables. The Company may also have credit risk relating to cash.

Additionally, the Company mitigates customers' credit risk through conducting credit assessment for new tenants. The customers' credit risk is spread between tenants having approximately the same lease value.

The terms of the rental agreements require payment of the rent on the first day of the month. An allowance for doubtful accounts is established based upon factors surroundings the credit risk of specific customers, historical trends and other information.

16. Financial instruments (continued):

(a) Credit risk (continued):

(i) Exposure to credit risk (continued):

The Company places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

The carrying amount of financial assets, as disclosed below, represents the Company's maximum credit exposure.

	2012	2011
	Carrying amount	
Trade and other receivables	$ 367,721	$ 48,357
Cash	309,259	39,180
Loan receivable	269,512	–
	$ 946,492	$ 87,537

(ii) Impairment losses:

The aging of receivables at the reporting date was:

	2012		2011	
	Gross	Impairment	Gross	Impairment
Not past due	$ 341,088	$ –	$ 48,115	$ –
Past due 0-30 days	2,036	–	5,588	5,346
Past due 31-120 days	50,384	25,787	21,305	21,305
	$ 393,508	$ 25,787	$ 75,008	$ 26,651

The allowance account in respect of loans and receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at which point the amounts are considered irrecoverable and are written off against the financial asset directly. As at December 31, 2012, $23,744 was written off by management (2011 - nil).

16. Financial instruments (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as well as continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2012

	Carrying amount	Contractual cash flows	Estimated payment schedule 2013	2014	2015	2016	2017
Mortgage payable	$ 3,974,158	$ 4,494,817	$1,791,115	$ 173,865	$ 173,865	$ 173,865	$ 2,182,107
Trade and other payables	1,581,829	1,581,829	1,581,829	–	–	–	–
Promissory note	500,000	500,000	500,000				
	$ 6,055,987	$ 6,576,646	$3,872,944	$ 173,865	$ 173,865	$ 173,865	$ 2,182,107

As at December 31, 2011

	Carrying amount	Contractual cash flows	Estimated payment schedule 2012	2013	2014	2015	2016	2017 and subsequently
Mortgage payable	$ 4,937,387	$ 5,629,090	$ 2,751,523	$ 173,865	$ 173,865	$ 173,865	$ 173,865	$ 2,182,107
Trade and other payables	407,420	407,420	407,420	–	–	–	–	–
Bank loan	470,000	470,000	470,000	–	–	–	–	–
	$ 5,814,807	$ 6,506,510	$ 3,628,943	$ 173,865	$ 173,865	$ 173,865	$ 173,865	$ 2,182,107

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Foreign currency risk:

All of the Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency.

The Company is exposed to interest rate risk as interest rate fluctuations could have an impact on its operations. When interest bearing, the investment income generated from cash bears interest at variable rates.

16. Financial instruments (continued):

(d) Interest rate risk:

At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:

	2012	2011
Fixed rate instruments:		
Financial liabilities	$ 4,474,158	$ 4,937,387
Variable rate instruments:		
Financial liabilities	–	470,000

(i) Fair value sensitivity analysis for fixed rate instruments:

The Company does not account for any fixed rate financial liabilities at fair value through comprehensive income. Therefore, a change in interest rates at the reporting date would not affect comprehensive income.

(ii) Cash flow sensitivity analysis for variable rate instruments:

A 100-basis point increase or decrease in the average interest rate for the fiscal year, assuming that all other variables remain constant, would not have a significant impact on the Company's comprehensive income for the year ended December 31, 2012.

16. Financial instruments (continued):

(e) Fair values:

(i) Fair values vs. carrying amounts:

The estimated fair value of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost:				
Cash	$ 309,259	$ 309,259	$ 39,180	$ 39,180
Trade and other receivables	367,721	367,721	48,357	48,357
Loan receivable	269,512	269,512	–	–
Liabilities carried at amortized cost:				
Mortgages payable	3,974,158	3,981,794	4,926,585	5,001,458
Bank loan	–	–	470,000	470,000
Promissory note	500,000	500,000	–	–
Trade and other payables	1,581,829	1,581,829	407,420	407,420

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Company uses a fair value hierarchy to categorize the type of valuation techniques from which fair value are derived. The different levels of the hierarchy are quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

16. Financial instruments (continued):

(e) Fair values (continued):

(ii) Trade and other receivables and loan receivable:

The fair value of trade and other receivables and loan receivable is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) Mortgages payable and bank loan:

The fair value of the Company's mortgages payable and bank loan was calculated by discounting cash flows from financial obligations using the government yield curve at the reporting date plus an adequate credit spread.

17. Capital risk management:

The Company's primary objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- to ensure that the Company has access to sufficient funds for acquisition or development activities.

The Company sets the amount of capital in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and debt or sell assets to reduce debt or fund acquisition or development activities.

The Company's capital consists of share capital and mortgages payable.

The Company's strategy for capital risk management is driven by external requirements from certain of its lenders and the Company's working capital policies.

Environmental risk

As an owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws include potentially significant penalties, as well as potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect the Company's ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against the Company. In accordance with best management practices, Phase 1 audits are completed on all properties prior to acquisition. The Company has operating policies to monitor and manage environmental risk.

18. Finance income and finance costs:

	2012	2011
Interest income on bank deposits	$ 853	$ 2,411
Interest on loan receivable	7,070	–
Finance income	7,923	2,411
Interest expense on financial liabilities measured at amortized cost	222,130	260,085
Accretion of effective interest on financial liabilities	9,243	2,899
Finance cost	231,373	262,984
Net finance costs recognized in comprehensive income	$ 223,450	$ 260,573

19. Operating leases:

The Company leases out its investment properties held under operating leases (see note 5). All leases are for one year or less. The future minimum lease payments under non-cancellable leases are as follows:

	2012	2011
Less than one year	$ 451,121	$ 549,639

During the year ended December 31, 2012, $984,003 was recognized as rental income in comprehensive loss income (2011 - $1,103,937). Repairs and maintenance expense recognized in operating costs was $87,362 (2011 - $83,254).

20. Segment reporting:

The Company's activities are based on ten multi-residential properties, part of which are for sale in undivided co-ownership, in the province of Québec. The following table presents the financial information related to the two business segments of the Company:

	December 31, 2012		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 984,003	$ 984,003
Operating costs	–	570,420	570,420
Revenue from the sale of properties under development	1,983,330	–	1,983,330
Cost of properties under development sold	1,823,154	–	1,748,154
Net adjustment to fair value of investment properties	–	125,782	175,782
Net finance costs	–	223,450	223,450
Administrative expenses	–	–	885,867
Net segment income before income taxes	160,176	315,915	(409,776)

	December 31, 2011		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 1,103,937	$ 1,103,937
Operating costs	–	580,496	580,496
Revenue from the sale of properties under development	977,880	–	977,880
Cost of properties under development sold	843,876	–	843,876
Net adjustment to fair value of investment properties	–	466,040	466,040
Net finance costs	–	260,573	260,573
Administrative expenses	–	–	802,056
Net segment income before income taxes	134,004	728,908	60,856

20. Segment reporting (continued):

	2012	2011
Properties:		
Investment properties	$ 10,341,169	$ 12,104,002
Properties under development	1,720,003	1,299,940

21. Subsequent events:

(a) On March 15, 2013, the Corporation closed a private placement for 102,174,000 common shares at a price of $0.23 per common share for gross proceeds of $23.5 million. The net proceeds of the private placement were used to purchase the three properties in Québec City and Montréal (note 21 (b)).

(b) On March 15, 2013, the Corporation acquired three apartment properties in the province of Québec for an aggregate purchase price of $55 million. The acquisition properties consist of three properties comprised of a total of 554 apartment suites, with two properties comprised of 330 suites located in Québec City and one property comprised of 224 suites located in Montréal.

(c) On March 15, 2013, the Corporation granted to certain members of management and directors a total of 6,601,800 stock options for common shares pursuant to its stock option plan. The stock options have a term of five years, an exercise price of $0.28 per share and will vest after a period of two years.

(d) On March 15, 2013, the Corporation entered into a commitment for a revolving acquisition facility with First National Financial LP in the amount of $10 million for a term of two years at Market Conditions.

(e) On March 15, 2013, the Corporation has made a number of amendments to the previously announced conditional asset management agreement with First Investor, L.P. and conditional property management agreement with Société de gestion Cogir s.e.n.c.

(f) On March 22, 2013, the Corporation reimbursed in totality the $500,000 promissory note.

(g) On March 15, 2013, the Corporation declared its first monthly cash dividend in the amount of $0.0008 per share to be paid on May 15, 2013, to shareholders of record on April 30, 2013.

APPENDIX 3

CAPITAL BLF INC.

Condensed Interim Financial Statements

(Unaudited)

Three-month periods ended March 31st 2013 and 2012.

Condensed Interim Financial Statements of
(Unaudited)

CAPITAL BLF INC.

Three-month periods ended March 31, 2013 and 2012

CAPITAL BLF INC.

Condensed Interim Financial Statements
(Unaudited)

Three-month periods ended March 31, 2013 and 2012

Financial Statements

CAPITAL BLF INC.

Condensed Interim Statements of Financial Position
(Unaudited)

March 31, 2013 and 2012

	Note	March 31, 2013	December 31, 2012
Assets			
Investment properties	4	$ 69,639,293	$ 10,341,169
Deferred tax asset		–	473,965
Loan receivable		273,407	269,512
Non-current assets		69,912,700	11,084,646
Properties under development	5	1,577,662	1,720,003
Prepaid expenses		755,515	405,999
Trade and other receivables	6	222,105	367,721
Cash		3,293,596	309,259
Current assets		5,848,878	2,802,982
Total assets		$ 75,761,578	$ 13,887,628
Liabilities			
Mortgages payable	7	$ 39,338,794	$ 2,321,050
Deferred tax liability		–	473,965
Promissory note	8	–	500,000
Non-current liabilities		39,338,794	3,295,015
Current portion of mortgages payable	7	2,249,729	1,653,108
Trade and other payables		3,014,803	1,581,829
Current liabilities		5,264,532	3,234,937
Equity			
Share capital	9	27,868,815	5,578,108
Contributed surplus	10	343,782	338,280
Retained earnings		2,945,655	1,441,288
Total equity		31,158,252	7,357,676
Subsequent events (note 16)			
Total liabilities and equity		$ 75,761,578	$ 13,887,628

The notes on pages 5 to 22 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Comprehensive Income
(Unaudited)

Three-month periods ended March 31, 2013 and 2012

	Note	2013	2012
Rental revenue from investment properties		$ 455,859	$ 266,914
Revenue from sale of properties under development		175,000	524,000
		630,859	790,914
Operating costs		179,521	143,912
Cost of properties under development sold		193,318	440,714
		372,839	584,626
Net operating income		258,020	206,288
Administrative expenses		(341,359)	(182,306)
Net finance costs	14	(492,381)	(65,928)
Net adjustment to the fair value of investment properties		2,080,087	–
Net income (loss) being total comprehensive income for the period		$ 1,504,367	$ (41,946)
Earnings per share:			
Basic	11	$ 0.0313	$ (0.0014)
Diluted	11	0.0309	(0.0014)

The notes on pages 5 to 22 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Changes in Equity
(Unaudited)

Three-month periods ended March 31, 2013 and 2012

	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2013	$ 5,578,108	$ 338,280	$ 1,441,288	$ 7,357,676
Common shares issuance	22,290,707	–	–	22,290,707
Share based compensation	–	5,502	–	5,502
Net income being total comprehensive income	–	–	1,504,367	1,504,367
Balance at March 31, 2013	$ 27,868,815	$ 343,782	$ 2,945,655	$ 31,158,252
Balance at January 1, 2012	$ 5,578,108	$ 338,280	$ 1,851,064	$ 7,767,452
Net loss being total comprehensive loss	–	–	(41,946)	(41,946)
Balance at March 31, 2012	$ 5,578,108	$ 338,280	$ 1,809,118	$ 7,725,506

The notes on pages 5 to 22 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Cash Flows
(Unaudited)

Three-month periods ended March 31, 2013 and 2012

	Note	2013	2012
Cash flows from operating activities:			
Net income (loss)		$ 1,504,367	$ (41,946)
Adjustments for:			
Net finance costs		492,381	65,928
Share-based payments		5,502	–
Net adjustment to the fair value of investment properties		(2,080,087)	–
		(77,837)	23,982
Change in other non-cash operating working capital	12	(437,140)	404,298
Net cash from operating activities		(514,977)	428,280
Cash flows from (used in) financing activities:			
Proceeds from share issuance		22,290,707	–
Proceeds of bank loan, net			(470,000)
(Repayments) proceeds of promissory note		(500,000)	500,000
Repayment of mortgage on cancellation		(22,354,911)	–
Proceeds from mortgage		21,892,222	–
Mortgage loan reimbursements		(23,428)	(25,330)
Interest paid		(95,500)	(65,203)
Net cash used in financing activities		21,209,090	(60,533)
Cash flows from (used in) investing activities:			
Acquisition of investment properties		(17,460,493)	–
Capital expenditures on investment properties		(251,192)	(259,378)
Interest received		1,909	–
Net cash used in investing activities		(17,709,776)	(259,378)
Net change in cash		2,984,337	108,369
Cash, beginning of period		309,259	39,180
Cash, end of period		$ 3,293,596	$ 147,549

The notes on pages 5 to 22 are an integral part of these financial statements.

1. Reporting entity:

Capital BLF Inc. (the "Company") is a company domiciled in Canada and the address of the Company's registered office is 7250, Taschereau Blvd., Brossard, Québec, J4W 1M9. The Company, incorporated under the *Canada Corporations Act*, started its operations on March 30, 2007 as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange Inc.

Capital BLF Inc.'s activities are based on 58 multi-residential properties, three of which are for sale in undivided co-ownership.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended December 31, 2012.

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements for the year ended December 31, 2012 except for the new standards and interpretations adopted during the three-month period ended March 31, 2013.

These unaudited condensed interim financial statements were approved by the Audit Committee on May 29, 2013.

(b) Basis of measurement:

The condensed interim financial statements have been prepared on the historical cost basis except for investment properties which is measured at fair value in the condensed interim statements of financial position.

(c) Functional and presentation currency:

These condensed interim financial statements are presented in Canadian dollars which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim financial statements is included in the following note:

Note 4 - classification of investment properties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

Note 4 - valuation of investment properties

(e) New standards and interpretations adopted:

In 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including "highest and best use" and "principal markets" for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements and increased disclosures for non-financial assets and liabilities for annual financial statements. The Company implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the condensed interim financial statements as a result of the adoption of IFRS 13.

As of January 1, 2013, the Company adopted IFRS 10, *Consolidated Financial Statements* and IFRS 12, *Disclosure of Interest in Other Entities*. The application of these standards had no impact on the Company's condensed consolidated interim financial statements.

As of January 1, 2013, the Company also adopted IFRS 11, *Joint Arrangements*. IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

2. Basis of preparation (continued):

(e) New standards and interpretations adopted (continued):

The Company has no interests in joint arrangements and therefore the application of this standard had no impact on the Company's condensed interim financial statements.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

(a) Investment property:

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs and other transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

When the Company begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

When the Company begins to redevelop an existing property for eventual sale, it is reclassified to properties under development and its fair value at the date of reclassification becomes its cost for subsequent accounting.

(b) Property under development:

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held-for-rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value.

Cost is comprised of the acquisition cost of co-ownership units to be converted, the specific development costs of the units and a portion of the costs related to the development of the common areas, financing costs and operating expenses. Property under development is not amortized.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less costs to completion and the estimated costs of sale.

3. Significant accounting policies (continued):

(c) Revenue:

(i) Rental revenue:

Rental revenue from investment properties leased out under operating leases is recognized in comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognized as an integral part of the total rental revenue. Rental revenues include residential rents and parking fees.

The Company commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of or controls the physical use of the leased property. Generally, this occurs on the lease commencement date.

Cancellation fees or premiums received to terminate leases are recognized in profit or loss when they arise.

(ii) Sale of properties under development:

Revenue from the sale of properties under development is recognized in comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, generally upon transfer of the property deed.

(d) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(e) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and loan receivable.

Cash comprise cash balances with banks.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Company has the following non-derivative financial liabilities: promissory note, mortgages payable and trade and other payables.

3. Significant accounting policies (continued):

(e) Financial instruments (continued):

(iii) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(f) Share-based payment transactions:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period during which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true up for differences between expected and actual outcomes.

(g) Earnings per share:

The Company presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, due to share options granted.

(h) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments’ operating results are reviewed regularly by the Company's Chief Executive officer (“CEO”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3. Significant accounting policies (continued):

(i) Finance income and finance costs:

Finance income comprises interest income on funds invested and loan receivable. Interest income is recognized as it is accrued in profit or loss, using the effective interest method.

Finance costs comprise interest on mortgage loans payable, promissory note and accretion of effective interest on mortgage loans payable and promissory note.

(j) Provisions:

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

4. Investment properties:

	Three-month period ended March 31, 2013	Year ended December 31, 2012
Balance at beginning of period	$ 10,341,169	$ 12,104,002
Acquisitions of investment properties	56,966,845	–
Sale of investment properties	–	(1,443,442)
Capital expenditures	251,192	815,686
Transfer to properties under development (see note 5)	–	(1,260,859)
Fair value adjustment	2,080,087	125,782
Balance at end of period	$ 69,639,293	$ 10,341,169

On March 15, 2013, the Company acquired three multi-residential property portfolios comprised of two properties totalling 330 apartment suites located in Québec City and one property totalling 224 apartment suites located in Montréal for a total of 554 apartment suites.

4. Investment properties (continued):

The Company acquired the three real estate property portfolios for an aggregate purchase price of $54,950,000 (plus incidental costs of the transaction of $2,016,845) with a combination of cash and new first mortgage loans. All first mortgage loans are secured by first mortgage liens on acquired properties.

The relative fair value of the assets and the liabilities recognized in the statements of financial position on the date of the acquisition during the three months ended March 31, 2013 is as follows:

		Fair value recognition acquisition
Investment properties, including transaction costs	$	56,966,845
Mortgages payable assumed		(21,956,497)
Trade and other payables, including transaction costs		(1,808,555)
	$	33,201,793
Fair value of consideration paid:		
Mortgages	$	15,741,300
Cash		17,460,493
Consideration paid	$	33,201,793

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every 12 months. Quarterly, management reviews the valuations by receiving capitalization rate data from external knowledgeable property valuators. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

4. Investment properties (continued):

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

The range of yields applied to the net annual rents to determine the fair value of property whose current prices in an active market are unavailable is therefore estimated to be between 4% to 5.85% (2012 - 4% to 5.85%).

Investment properties are leased to third parties generally for a non-cancellable period of one year. No contingent rents are charged.

Transfers to properties under development are the transfers made as part of the conversion project of investment properties to co-ownership units (see Note 4).

5. Properties under development:

	Three-month period ended March 31, 2013	Year ended December 31, 2012
Opening balance at beginning of period	$ 1,720,003	$ 1,299,940
Transfers from investment properties	–	1,260,859
Renovation work	50,977	890,763
Cost of properties sold	(143,318)	(1,685,559)
Provision for impairment	(50,000)	(46,000)
Balance at end of period	$ 1,577,662	$ 1,720,003

During the period ended March 31, 2013, the Company sold 1 undivided co-ownership unit and 1 parking space (2012 - 4 undivided co-ownership units and no parking spaces).

As at March 31, 2013, properties under development comprised 12 units and 6 indoor parking spaces (2012 - 12 units and 16 indoor parking spaces).

6. Trade and other receivables:

	March 31, 2013	December 31, 2012
Trade receivables	$ 59,050	$ 12,537
Receivables from undivided co-ownership unit sales	–	319,925
Other receivables	163,055	35,259
	$ 222,105	$ 367,721

7. Mortgages payable:

	March 31, 2013	December 31, 2012
Mortgages	$ 42,113,213	$ 3,976,718
Less financing fees	(524,690)	(2,560)
	41,588,523	3,974,158
Current portion of mortgages payable	2,249,729	1,653,108
	$ 39,338,794	$ 2,321,050

On March 15, 2013, in concert with the acquisition of the properties (Note 4), the Company engaged the following mortgages:

(a) $11,300,463 mortgage, guaranteed by a first loan on the Mistral properties, bearing interest at a rate of 3.17%, payable in monthly instalments of $54,441, principle and interest, maturing in September 2023

(b) $21,938,045 mortgage, guaranteed by a first loan on the Brugnon properties, bearing interest at a rate of 3.15%, payable in monthly instalments of $93,973, principle and interest, maturing in September 2023

(c) $4,923,975 mortgage, guaranteed by a first loan on the Loretteville properties, bearing interest at a rate of 2.62%, payable in monthly instalments of $23,034, principle and interest, maturing in March 2018

7. Mortgages payable (continued):

Future principal payments on the mortgages payable are as follows:

	Scheduled repayments	Principal maturity	Total
2013 [(i)]	$ 680,028	$ 1,569,701	$ 2,249,729
2014	976,199	–	976,199
2015	1,007,553	–	1,007,553
2016	1,039,942	–	1,039,942
2017	1,029,274	2,124,152	3,153,426
2018	896,945	4,133,990	5,030,935
Thereafter	4,519,792	24,135,637	28,655,429
	$ 10,149,733	$ 31,963,480	$ 42,113,213

(i) For the nine-month period remaining.

8. Bank loan:

On March 7, 2013, the Company obtained an acquisition line of credit in the amount of $10,000,000, bearing interest at the greater of 8.5% or the RBC prime lending rate plus 4.5%. The acquisition line of credit has a 2-year term maturing in March 2015. The line of credit will be guaranteed by a mortgage against properties held by the Company.

As of March 31, 2013, there were no amounts drawn under the acquisition line of credit.

On March 22, 2013, the Company repaid the $500,000 promissory note that was contracted in March 2012.

9. Share capital:

(a) Authorized:

Unlimited number of common shares, voting, participating, without par value

9. Share capital (continued):

(b) Issued and fully paid:

Shares issued and outstanding warrants:

	As at March 31, 2013		As at December 31, 2012	
	Shares	Value	Shares	Value
Common shares, beginning of period	29,861,999	$ 5,578,108	29,861,999	$ 5,578,108
Issues pursuant to private placement	102,174,000	23,500,020	–	–
	132,035,999	29,078,128	29,861,999	5,578,108
Share issuance costs	–	1,209,313	–	–
Common shares, end of period	132,035,999	$ 27,868,815	29,861,999	$ 5,578,108

On March 15, 2013, 102,174,000 common shares at a price of $0.23 per common share for gross proceeds of $23,500,020 were issued through a private placement. The net proceeds of the Private Placement were used to purchase the three properties in Québec City and Montréal (Note 4). The shares issued under the Private Placement are subject to a four-month hold period ending on July 16, 2013.

10. Share-based payments:

On June 5, 2009, the Company granted its directors and officers a total of 1,220,000 options to purchase common shares of the Company at a price of $0.10 per share, expiring on June 5, 2014. In accordance with the share option plan of the Company, these options were immediately vested.

On March 15, 2013, 6,601,800 stock options were issued to directors. The stock options issued have a strike price of $0.28, an expiry date of March 15, 2018 and will vest on March 15, 2015.

During the three-month period ended March 31, 2013, the Company accounted for a share-based compensation charge in the amount of $5,502 (2012 - nil) for options granted to its directors.

The Company had 2,985,340 options outstanding at an average exercise price of $0.185 as at December 31, 2012.

10. Share-based payments (continued):

The following table presents relevant information on changes in the balances:

	2013		2012	
	Units options	Weighted average exercise price	Units options	Weighted average exercise price
Outstanding, beginning of period	1,735,340	$ 0.17	2,985,340	$ 0.19
Options issued	6,601,800	0.28	–	–
Options expired	(515,340)	0.35	–	–
Options cancelled	(50,000)	0.10	–	–
Outstanding, end of period	7,771,800	$ 0.25	2,985,340	$ 0.19
Options vested	1,170,000	$ 0.10	2,985,340	$ 0.19

Unit-based compensation expense and the assumption used in the calculation thereof using the Black & Scholes option valuation model are as follows:

	For the three-month period ended	
	March 31, 2013	March 31, 2012
Unit-based compensation expense	$ 5,502	$ –
Unit options granted	6,601,800	–
Unit option holding period (years)	5	–
Volatility rate	32.5%	–
Distribution yield	4%	–
Risk-free interest rate	1.36%	–

10. Share-based payments (continued):

The following table summarizes information about the options outstanding and exercisable as at March 31, 2013:

Exercise price	Options outstanding	Options exercisable	Remaining contractual life (in years)
$0.10	1,170,000	1,170,000	1.18
$0.28	6,601,800	–	4.96

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

11. Earnings per share:

Weighted average number of common shares:

	March 31, 2013	March 31, 2012
Issued common shares	132,035,999	29,861,999
Weighted average number of outstanding shares:		
Basic	48,026,266	29,861,999
Dilutive effect	667,854	–
Diluted	48,694,120	29,861,999

The calculations above exclude 6,601,800 stock options (2012 - 2,985,340) for the three-month period ended March 31, 2013, deemed to have an antidilutive effect because the exercise prices were higher than the average common share price.

12. Additional information on cash flows:

The net change in non-cash operating working capital items is as follows:

	For the three-month period ended	
	March 31, 2013	March 31, 2012
Decrease in properties under development	$ 142,341	$ 155,840
(Increase) decrease in prepaid expenses	(349,516)	18,901
Decrease (increase) in trade and other receivables	145,616	(17,996)
(Decrease) increase in trade payables and other payables	(375,581)	247,553
	$ (437,140)	$ 404,298

13. Related party transactions:

The following tables summarizes the Company's related party transactions concluded with companies under control of the directors of the Company and immediate family of one of the directors:

As at	March 31, 2013	December 31, 2012
Multigest Management Inc., a company controlled by the directors of the Company:		
Conversion fees included in trade and other payables	$ 175,440	$ 488,177
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company:		
Management fees included in trade and other payables	6,970	6,613
Costs recharge included in trade and other payables	30,303	21,378
First Investor LP, a limited partnership controlled by directors of the Company:		
Acquisition fee included in trade and other payables	485,485	–

13. Related party transactions (continued):

	For the three-month period ended	
	March 31, 2013	March 31, 2012
Multigest Management Inc., a company controlled by the directors of the Company:		
Conversion fees included in additions in properties under development	$ 93,829	$ 86,754
Management fees included in administrative expenses	81,611	100,258
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company:		
Costs recharged included in additions to investment properties	30,303	21,680
Management fees included in operating costs	6,970	6,713
First Investor LP, a limited partnership controlled by directors of the Company:		
Acquisition fees included in acquisition of investment properties	485,485	–
The immediate family of one of the directors of the Company:		
Salary included in administrative expenses	17,892	15,989

14. Finance income and finance costs:

	March 31, 2013	March 31, 2012
Interest income on bank deposits	$ 1,909	$ –
Accretion of effective interest on loan receivable	3,895	–
Finance income	5,804	–
Loss on cancellation of a mortgages	396,856	–
Interest expense on financial liabilities measured at amortized cost	95,500	65,203
Accretion of effective interest on financial liabilities	5,829	725
Finance cost	498,185	65,928
Net finance costs recognized in profit or loss	$ 492,381	$ 65,928

15. Segment reporting:

The Company's activities are based on ten multi-residential properties, part of which are for sale in undivided co-ownership, in the Province of Québec. The following tables present the financial information related to the two business segments of the Company:

	Three-month period ended March 31, 2013		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 455,859	$ 455,859
Operating costs	–	179,521	179,521
Revenue from the sale of properties under development	175,000	–	175,000
Cost of properties under development sold	193,318	–	193,318
Administrative expenses	–	–	(341,359)
Net finance costs	–	(492,381)	(492,381)
Net adjustment to the fair value of investment properties	–	2,080,087	2,080,087
Net segment (loss) income before income taxes	$ (18,318)	$ 1,864,044	$ 1,504,367

	Three-month period ended March 31, 2012		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 266,914	$ 266,914
Operating costs	–	143,912	143,912
Revenue from the sale of properties under development	524,000	–	524,000
Cost of properties under development sold	440,714	–	440,714
Administrative expenses	–	–	(182,306)
Net finance costs	–	(65,928)	(65,928)
Net adjustment to the fair value of investment properties	–	–	–
Net segment income before income taxes	$ 83,286	$ 57,074	$ (41,946)

15. Segment reporting (continued):

	March 31, 2013	December 31, 2012
Properties:		
Investment	$ 69,639,293	$ 10,341,169
Properties under development	1,577,662	1,720,003

16. Subsequent events:

In April 2013, the Company received and accepted a conditional offer on the Dorval properties at a price of $3,585,000. The buyer lifted the conditions of the offer and the closing is expected in July 2013.

The Company started paying a monthly dividend of $0.00077 per share on May 15, 2013.

APPENDIX 4

CAPITAL BLF INC.

Condensed Interim Financial Statements

(Unaudited)

Three-month periods ended March 31st 2012 and 2011.

Condensed Interim Financial Statements of
(Unaudited)

CAPITAL BLF INC.

Three-month periods ended March 31, 2012 and 2011

CAPITAL BLF INC.

Condensed Interim Financial Statements
(Unaudited)

Three-month periods ended March 31, 2012 and 2011

Financial Statements

CAPITAL BLF INC.

Condensed Interim Statements of Financial Position
(Unaudited)

	Note	March 31, 2012	December 31, 2011
Assets			
Investment properties	3	$ 12,083,496	$ 12,104,002
Deferred tax asset		396,487	380,509
Non-current assets		12,479,983	12,484,511
Properties under development	4	1,423,984	1,299,940
Prepaid expenses		61,077	79,978
Trade and other receivables	5	66,353	48,357
Cash		147,549	39,180
Current assets		1,698,963	1,467,455
Total assets		$ 14,178,946	$ 13,951,966
Liabilities			
Mortgages payable	6	$ 2,367,046	$ 2,366,320
Deferred tax liability		396,487	380,509
Non-current liabilities		2,763,533	2,746,829
Current portion of mortgages payable	6	2,534,934	2,560,265
Promissory note	7	500,000	–
Bank loan		–	470,000
Trade and other payables		654,973	407,420
Current liabilities		3,689,907	3,437,685
Equity			
Share capital	8	5,578,108	5,578,108
Contributed surplus		338,280	338,280
Retained earnings		1,809,118	1,851,064
Total equity		7,725,506	7,767,452
Total liabilities and equity		$ 14,178,946	$ 13,951,966

The notes on pages 5 to 15 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Comprehensive Loss
(Unaudited)

Three-month periods ended March 31, 2012 and 2011

	Note	2012	2011
Rental revenue from investment properties		$ 266,914	$ 263,414
Revenue from sale of properties under development		524,000	–
		790,914	263,414
Operating costs		143,912	156,686
Cost of properties under development sold		440,714	–
		584,626	156,686
Net operating income		206,288	106,728
Administrative expenses		(182,306)	(141,159)
Net finance costs	13	(65,928)	(59,722)
Net loss being total comprehensive loss for the period		$ (41,946)	$ (94,153)
Earnings per share:			
Basic and diluted	10	$ (0.0014)	$ (0.0032)

The notes on pages 5 to 15 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Changes in Equity
(Unaudited)

Three-month periods ended March 31, 2012 and 2011

	Share capital	Contributed surplus	Retained earnings	Total
Balance at January 1, 2012	$ 5,578,108	$ 338,280	$ 1,851,064	$ 7,767,452
Total comprehensive loss	–	–	(41,946)	(41,946)
Balance at March 31, 2012	$ 5,578,108	$ 338,280	$ 1,809,118	$ 7,725,506
Balance at January 1, 2011	$ 5,578,108	$ 338,280	$ 1,790,208	$ 7,706,596
Total comprehensive loss	–	–	(94,153)	(94,153)
Balance at March 31, 2011	$ 5,578,108	$ 338,280	$ 1,696,055	$ 7,612,443

The notes on pages 5 to 15 are an integral part of these financial statements.

CAPITAL BLF INC.

Condensed Interim Statements of Cash Flows
(Unaudited)

Three-month periods ended March 31, 2012 and 2011

	Note	2012	2011
Cash flows from operating activities:			
Net loss for the period		$ (41,946)	$ (94,153)
Adjustment for:			
Net finance costs		65,928	59,722
		23,982	(34,431)
Change in other non-cash operating working capital	11	404,298	156,315
Net cash from operating activities		428,280	121,884
Cash flows from (used in) financing activities:			
Proceeds of bank loan, net		(470,000)	–
Proceeds of promissory note		500,000	–
Mortgage loan reimbursements		(25,330)	(24,455)
Interest paid		(65,203)	(61,409)
Net cash used in financing activities		(60,533)	(85,864)
Cash flows from (used in) investing activities:			
Acquisition and capital expenditures in investment properties		(259,378)	(1,894,183)
Interest received		–	2,411
Net cash used in investing activities		(259,378)	(1,891,772)
Net change in cash		108,369	(1,855,752)
Cash, beginning of period		39,180	1,932,798
Cash, end of period		$ 147,549	$ 77,046

The notes on pages 5 to 15 are an integral part of these financial statements.

1. Reporting entity:

Capital BLF Inc. (the "Company") is a company domiciled in Canada and the address of the Company's registered office is 155 avenue Thrush, Dorval, Québec, H9S 1R9. The Company, incorporated under the *Canada Corporations Act*, started its operations on March 30, 2007 as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange Inc.

Capital BLF Inc.'s activities are based on ten multi-residential properties, three of which are for sale in undivided co-ownership.

2. Basis of preparation:

(a) Statement of compliance:

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements for the year ended December 31, 2011.

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied by the Company in its audited financial statements for the year ended December 31, 2011 except for the new standards and interpretations adopted during the three-month period ended March 31, 2012.

These unaudited condensed interim financial statements were approved by the Audit Committee on May 29, 2012.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investment properties which is measured at fair value in the statement of financial position.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 3 - classification of investment properties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

Note 3 - valuation of investment properties

(e) New standards and interpretations adopted:

The IASB has published some limited scope amendments to IAS 12 *Income taxes,* which are relevant only when an entity uses the fair value model for measurement in IAS 40 *Investment Property.* Under IAS 12, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. To provide a practical approach in such cases, the amendment introduces a presumption that in investment property is recovered entirely through sale. This policy is effective for fiscal years beginning after January 1, 2012. The Company has adopted the amendments in its financial statements for the three-month period ended March 31, 2012. The adoption of the amendments had no impact on the results for the three-month period ended March 31, 2012.

3. Investment properties:

	Three-month period ended March 31, 2012	Year ended December 31, 2011
Balance at beginning of period	$ 12,104,002	$ 10,069,102
Acquisitions of investment properties	–	1,836,108
Capital expenditures	259,378	697,617
Transfer to properties under development (see note 4)	(279,884)	(964,865)
Fair value adjustment	–	466,040
Balance at end of period	$ 12,083,496	$ 12,104,002

3. Investment properties (continued):

During the year ended December 31, 2011, the Company acquired one investment property located in Montréal, Québec, for a total consideration of $1,836,108 cash, including transaction costs of $36,108.

An external, independent valuation company, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio every 12 months. Quarterly, management reviews the valuations by receiving capitalization rate data from external knowledgeable property valuators. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Company and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment properties comprise a number of commercial multi-residential properties that are leased to third parties generally for a non-cancellable period of one year. No contingent rents are charged.

The range of yields applied to the net annual rents to determine the fair value of property whose current prices in an active market are unavailable, is 4% to 6.15% (2011 - 4% to 6.15%).

Transfers to properties under development are the transfers made as part of the conversion project of investment properties to co-ownership units (see note 4).

4. Properties under development:

	Three-month period ended March 31, 2012	Year ended December 31, 2011
Opening balance at beginning of period	$ 1,299,940	$ 742,481
Transfers from investment properties	279,884	964,865
Renovation work	238,039	329,533
Cost of properties sold	(393,879)	(736,939)
Balance at end of period	$ 1,423,984	$ 1,299,940

In September 2011, the Company announced the conversion of one of its investment properties in Montréal to 26 undivided co-ownership units and 6 indoor parking spaces.

During the period ended March 31, 2012, the Company sold 4 undivided co-ownership units and nil parking spaces (2011 - nil undivided co-ownership units and nil parking spaces).

As at March 31, 2012, properties under development comprised 12 units and 16 indoor parking spaces (2011 - 7 units and 7 indoor parking spaces).

5. Trade and other receivables:

	March 31, 2012	December 31, 2011
Trade receivables	$ 14,293	$ 10,240
Other receivables	52,060	38,117
	$ 66,353	$ 48,357

6. Mortgages payable:

	March 31, 2012	December 31, 2011
Mortgages	$ 4,912,058	$ 4,937,387
Less financing fees	(10,078)	(10,802)
	4,901,980	4,926,585
Current portion of mortgages payable	2,534,934	2,560,265
	$ 2,367,046	$ 2,366,320

Future principal payments on the mortgages payable are as follows:

	Scheduled repayments	Principal maturity	Total
2012 [i)]	$ 55,551	$ 2,479,385	$ 2,534,936
2013	53,517	–	53,517
2014	56,420	–	56,420
2015	59,522	–	59,522
2016	62,787	–	62,787
2017	2,144,876	–	2,144,876
	$ 2,432,673	$ 2,479,385	$ 4,912,058

i) For the nine-month period remaining.

7. Promissory note:

In March 2012, the Company issued a promissory note of $500,000 to an unrelated individual, bearing interest at the rate of 5%, reimbursable no later than May 31, 2012. These funds were used to reimburse the operating line of credit in full as the Company has started to sell condos at the Lajeunesse Street property in 2012.

8. Share capital:

(a) Authorized:

Unlimited number of common shares, voting, participating, without par value

(b) Issued and fully paid:

	March 31, 2012	December 31, 2011
29,861,999 common shares	$ 5,578,108	$ 5,578,108

9. Share-based payments:

On May 29, 2007, the Company granted its directors and officers a total of 1,250,000 options to purchase common shares of the Company at a price of $0.20 per share, expiring on May 28, 2012. In accordance with the share option plan of the Company, these options were immediately vested.

On March 31, 2008, in accordance with the policies of the TSX Venture Exchange Inc., the Company adopted a resolution for the issuance to directors and officers of a maximum of 736,200 common shares at a price of $0.35 per share pursuant to options to be granted to directors and officers. On March 31, 2008, the Company granted to its directors a total of 515,340 common share options of the Company at a price of $0.35 per share expiring on March 31, 2013. In accordance with the share option plan of the Company, these options were immediately vested.

On June 5, 2009, the Company granted its directors and officers a total of 1,220,000 options to purchase common shares of the Company at a price of $0.10 per share, expiring on June 5, 2014. In accordance with the share option plan of the Company, these options were immediately vested.

During the three-month period ended March 31, 2012, the Company accounted for a share-based compensation charge in the amount of nil (2011 - nil) for options granted to its directors.

The Company had 2,985,340 options outstanding at an average exercise price of $0.185 as at March 31, 2012 and as at December 31, 2011.

9. Share-based payments (continued):

The following table summarizes information about equity-settled options outstanding and exercisable as at March 31, 2012:

Exercise price	Options outstanding	Options exercisable	Remaining contractual life (in years)
$0.20	1,250,000	1,250,000	0.08
$0.35	515,340	515,340	1
$0.10	1,220,000	1,220,000	2.18

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

10. Earnings per share:

Basis and diluted earnings per share:

The calculation of basic and diluted earnings per share at March 31, 2012 was based on net loss attributed to common shareholders of $41,946 (2011 - $94,153) and a weighted average number of common shares outstanding of 29,861,999.

Weighted average number of common shares:

	March 31, 2012	March 31, 2011
Issued common shares	29,861,999	29,861,999
Weighted average number of outstanding shares Basic and diluted	29,861,999	29,861,999

10. Earnings per share:

Weighted average number of common shares (continued):

The calculations above exclude 2,985,340 stock options (2011 - 2,985,340) for the three-month period ended March 31, 2012, deemed to have an antidilutive effect because the exercise prices were higher than the average common share price.

11. Additional information on cash flows:

The net change in non-cash operating working capital items is as follows:

	For the three-month period ended	
	March 31, 2012	March 31, 2011
Decrease (increase) in properties under development	$ 155,840	$ (37,628)
Decrease in prepaid expenses	18,901	22,204
(Increase) decrease in trade and other receivables	(17,996)	75,266
Increase in payables	247,553	96,473
	$ 404,298	$ 156,315

12. Related party transactions:

The following tables summarizes the Company's related party transactions concluded with companies under control of the directors of the Company and immediate family of one of the directors:

As at	March 31, 2012	December 31, 2011
Multigest Management Inc., a company controlled by the directors of the Company		
Conversion fees included in trade and other payables	$ 333,449	$ 167,319
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company		
Management fees included in trade and other payables	8,810	6,618
Costs recharge included in trade and other payables	27,519	26,331

12. Related party transactions (continued):

	For the three-month period ended	
	March 31, 2012	March 31, 2011
Multigest Management Inc., a company controlled by the directors of the Company		
Conversion fees included in additions in properties under development	$ 86,754	$ –
Management fees included in administrative expenses	100,258	42,328
Gestion Marc Marois Inc., a company controlled by one of the directors of the Company		
Costs recharged included in additions to investment properties	21,680	35,745
Management fees included in operating costs	6,713	6,202
The immediate family of one of the directors of the Company		
Salary included in administrative expenses	15,989	14,156

13. Finance income and finance costs:

	March 31, 2012	March 31, 2011
Interest income on bank deposits	$ –	$ 2,411
Finance income	–	2,411
Interest expense on financial liabilities measured at amortized cost	65,203	61,409
Accretion of effective interest on financial liabilities	725	724
Finance cost	65,928	62,133
Net finance costs recognized in profit or loss	$ 65,928	$ 59,722

14. Segment reporting:

The Company's activities are based on ten multi-residential properties, part of which are for sale in undivided co-ownership, in the Province of Québec. The following table presents the financial information related to the two business segments of the Company:

	Three-month period ended March 31, 2012		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 266,914	$ 266,914
Operating costs	–	143,912	143,912
Revenue from the sale of properties under development	524,000	–	524,000
Cost of properties under development sold	440,714	–	440,714
Net finance costs	–	65,928	65,928
Administrative expenses	–	–	182,306
Net segment income before income taxes	83,286	57,074	(41,946)

	Three-month period ended March 31, 2011		
	Properties under development	Rental properties	Total
Rental revenue from investment properties	$ –	$ 263,414	$ 263,414
Operating costs	–	156,686	156,686
Revenue from the sale of properties under development	–	–	–
Cost of properties under development sold	–	–	–
Net finance costs	–	59,722	59,722
Administrative expenses	–	–	141,159
Net segment income before income taxes	–	47,006	(94,153)

14. Segment reporting (continued):

	March 31, 2012	December 31, 2011
Properties:		
Investment	$ 12,083,496	$ 12,104,002
Properties under development	1,423,984	1,299,940

15. Subsequent events:

In April 2012, the Company sold one of its investment property located in Dorval, for a total price of $1,500,000. The acquirer assumed the mortgage of $862,887. The balance of the purchase price was paid in cash of $318,113 and a vendor take back non-interest bearing loan of $319,000 which is to be reimbursed at the latest in April 2016.

APPENDIX 5

BRUGNON PROPERTIES

Audited Combined Carve-Out Financial Statements

Year ended December 31st 2012

Combined Carve-Out Financial Statements of

BRUGNON PROPERTIES

Year ended December 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Owner of Société Immobilière Huot

We have audited the accompanying combined carve-out financial statements of Brugnon Properties, which comprise the combined carve-out statement of financial position as at December 31, 2012, the combined carve-out statements of comprehensive income, changes in net investment and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Carve-Out Financial Statements

Management of Brugnon Properties is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined carve-out financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined carve-out financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined carve-out financial statements present fairly, in all material respects, the combined carve-out financial position of Brugnon Properties as at December 31, 2012, and its combined carve-out financial performance and its combined carve-out cash flows for the year ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the combined carve-out financial statements which describes the basis of presentation used in preparing these combined carve-out financial statements. The combined carve-out financial statements are prepared to meet the requirements of the National Instruments 51-102.

Comparative Information

The combined carved-out financial statements as at and for the year ended December 31, 2011 and the financial position as at January 1, 2011 of Brugnon Properties are unaudited. Accordingly, we do not express an opinion on them.

KPMG LLP*

May 24, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A105973

BRUGNON PROPERTIES

Combined Carve-Out Financial Statements

Year ended December 31, 2012

Financial Statements

BRUGNON PROPERTIES

Combined Carve-Out Statement of Financial Position

December 31, 2012, with comparative information as at December 31, 2011 and as at January 1, 2011

	Note	December 31, 2012	December 31, 2011	January 1, 2011
			(Unaudited)	(Unaudited)
Assets				
Investment properties	3	$ 34,133,204	$ 32,092,453	$ 28,404,561
Non-current assets		34,133,204	32,092,453	28,404,561
Prepaid expenses and deposits		35,588	53,606	46,124
Trade and other receivables	4	13,062	23,009	14,781
Current assets		48,650	76,615	60,905
Total assets		$ 34,181,854	$ 32,169,068	$ 28,465,466
Liabilities				
Mortgages payable	5	$ 20,476,620	$ 21,204,038	$ 16,506,648
Non-current liabilities		20,476,620	21,204,038	16,506,648
Current portion of mortgages payable	5	907,997	568,918	439,656
Trade and other payables		205,516	137,721	81,405
Current liabilities		1,113,513	706,639	521,061
Net Investment		12,591,721	10,258,391	11,437,757
Total liabilities and net investment		$ 34,181,854	$ 32,169,068	$ 28,465,466

The notes on pages 5 to 19 are an integral part of these combined carve-out financial statements.

BRUGNON PROPERTIES

Combined Carve-Out Statement of Comprehensive Income

Year ended December 31, 2012, with comparative information for the year ended December 31, 2011

	Note	2012	2011
			(Unaudited)
Rental revenue from investment properties		$ 2,571,348	$ 2,544,456
Operating costs		(802,171)	(722,301)
Net operating income		1,769,177	1,822,155
Net adjustment to fair value of investment properties	3	2,040,751	3,687,892
Administrative expenses		(156,819)	(143,652)
Finance costs	9	(923,270)	(773,078)
Net income and total comprehensive income		$ 2,729,839	$ 4,593,317

The notes on pages 5 to 19 are an integral part of these combined carve-out financial statements.

BRUGNON PROPERTIES

Combined Carve-Out Statement of Changes in Net Investment

Year ended December 31, 2012, with comparative information for the year ended December 31, 2011

	2012	2011
		(Unaudited)
Net investment, beginning of year	$ 10,258,391	$ 11,437,757
Net income and total comprehensive income	2,729,839	4,593,317
Distributions to non-acquired operations	(396,509)	(5,772,683)
Net investment, end of year	$ 12,591,721	$ 10,258,391

The notes on pages 5 to 19 are an integral part of these combined carve-out financial statements.

BRUGNON PROPERTIES

Combined Carve-Out Statement of Cash Flows

Year ended December 31, 2012, with comparative information for the year ended December 31, 2011

	Note	2012	2011
			(Unaudited)
Cash flows from operating activities:			
Net income for the year		$ 2,729,839	$ 4,593,317
Adjustments for:			
Net adjustment to fair value of investment properties		(2,040,751)	(3,687,892)
Finance costs	9	923,270	773,078
		1,612,358	1,678,503
Change in non-cash operating working capital	6	95,760	28,123
Net cash from operating activities		1,708,118	1,706,626
Cash flows used in financing activities:			
Proceeds from mortgage		–	6,070,495
Financing fees		–	(865,295)
Mortgage loan reimbursements		(569,660)	(514,811)
Interest paid		(741,949)	(624,332)
Distribution to non-acquired operations		(396,509)	(5,772,683)
Net cash used in financing activities		(1,708,118)	(1,706,626)
Net change in cash, and cash end of year		$ –	$ –

The notes on pages 5 to 19 are an integral part of these combined carve-out financial statements.

1. Basis of presentation:

(a) Purpose of preparation:

These combined carve-out financial statements are prepared on a carve-out basis, from the financial statements of Société Immobilière Huot, to account solely for The Brugnon Properties acquired by Capital BLF Inc. on March 15, 2013 for the purpose of meeting the requirements of the National Instrument 51-102.

(b) What they purport to represent:

The properties that make up these combined carve-out financial statements include all 42 buildings representing 246 units as if they existed as a separate group in 2012 (collectively “Brugnon Properties”).

(c) Entities included and basis for including:

These combined carve-out financial statements reflect all of the assets, liabilities, revenues, expenses and cash flows of Brugnon Properties. Brugnon Properties is not a legal entity and is composed of 100% interests in the following residential investment properties, which operate as one segment:

- 1580-1582-1584, 1586-1588-1590, 1600-1602-1604, 1606-1608-1610, 1614-1616-1618, 1620-1622-1624, 1640-1642-1644, 1646-1648-1650, 1670-1672-1674 and 1676-1678-1680, boulevard Père-Lelièvre, Québec (Québec).
- 1801-1803-1805, 1807-1809-1811, 1817-1819-1821, 1823-1825-1827, 1833-1835-1837, 1839-1841-1843, 1901-1903-1905 and 1907-1909-1911, rue Hallé, Québec (Québec).
- 1800-1802, 1804-1806, 1816-1818, 1820-1822, 1832-1834, 1836-1838, 1844-1846-1848, 1850-1852-1854, 1860-1862-1864, 1866-1868-1870, 1878-1880-1882, 1884-1886-1888, 1900-1902-1904, 1906-1908-1910, 1916-1918-1920, 1922-1924-1926, 1932-1934-1936, 1938-1940-1942, 1950-1952-1954, 1956-1958-1960, 1966-1968-1970, 1972-1974-1976, 1982-1984-1986, 1988-1990-1992, 2000-2002-2004, 2006-2008-2010, 2016-2018-2020, and 2022-2024-2026, rue Hallé, Québec (Québec).
- 1801-1803-1805, 1807-1809-1811, 1817-1819-1821, 1823-1825-1827, 1833-1835-1837, 1839-1841-1843, 1849-1851-1853, 1855-1857-1859, 1865-1867-1869, 1871-1873-1875, 1881-1883-1885, 1887-1889-1891, 2001-2003-2005, 2007-2009-2011, 2017-2019-2021, 2023-2025-2027, 2033-2035-2037, 2039-2041-2043, 2049-2051-2053 and 2055-2057-2059, rue de Merlac, Québec (Québec).
- 2022-2024-2026, 2028-2030-2032, 2082-2084-2086, 2088-2090-2092, 2100-2102-2104, 2106-2108-2110, 2120-2122-2124 and 2126-2128-2130, rue de Merlac, Québec (Québec).

1. Basis of presentation (continued):

(c) Entities included and basis for including (continued):

- 2065-2067-2069, 2071-2073-2075, 2081-2083-2085, 2087-2089-2091, 2101-2103-2105, 2107-2109-2111, 2121-2123-2125, 2127-2129-2131, 2140-2144 and 2146-2150, rue de Merlac, Québec (Québec).

The significant activity making up the Brugnon Properties is:

- Investment properties generating rental income being carved-out on the basis of the operations of Brugnon properties acquired by Capital BLF Inc.

Balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing these combined carve-out financial statements.

(d) Approach and basis for any allocations:

The following basis has been used to allocate common expenses (debt / assets / other allocation items):

- Net investment represents the amount associated specifically with these properties. Management's estimates, where necessary, have been used to prepare such allocation.
- All cash generated by the properties is used elsewhere in the operations of Société Immobilière Huot and as such considered as a distribution to non-acquired operations.

(e) Accounting methodology applied:

The combined carve-out financial statements are prepared in accordance with International Financial Reporting Standards.

(f) Measurement uncertainty:

These combined carve-out financial statements may not be indicative of the results that would have been obtained if the combined activities had operated as a stand-alone entity during the year presented.

(g) Statement of compliance:

These combined carve-out financial statements are Brugnon Properties first IFRS financial statements and have been prepared in accordance with IFRS, including IFRS 1, *First-time Adoption of IFRS*, as issued by the International Accounting Standards Board. No stand-alone combined carve-out financial statements of the Brugnon Properties have been prepared for any previous years. No transitional elections were required.

(h) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investment properties which is measured at fair value in the statements of financial position.

1. Basis of presentation (continued):

(i) Functional and presentation currency:

These financial statements are presented in Canadian dollars which is the Properties' functional currency.

(j) Critical judgments and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 3 - classification of investment properties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

Note 3 - valuation of investment properties.

2. Significant accounting policies:

The combined carve-out accounting policies set out below have been applied consistently to all years presented in these combined carve-out financial statements.

(a) Investment properties:

Investment properties are those which are held either to earn rental income or for capital appreciation, or both. Investment properties are measured initially at cost including acquisition costs and other transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

2. Significant accounting policies (continued):

(b) Revenue:

(i) Rental revenue:

Rental revenue from investment properties leased out under operating leases is recognized in comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognized as an integral part of the total rental revenue. Rental revenues include residential rents and parking fees.

The Properties commence revenue recognition on their leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date.

Cancellation fees or premiums received to terminate leases are recognized in profit or loss when they arise.

(c) Income taxes:

The Properties do not account for income taxes since, under existing tax legislation, it is the owners who are subject to taxes.

(d) Financial instruments:

(i) Non-derivative financial assets:

The Properties initially recognize a financial asset on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Properties becomes a party to the contractual provisions of the instrument.

The Properties derecognize a financial asset when the contractual rights to the cash flows from the asset expire, or they transfer the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Properties have the following non-derivative financial assets:

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade and other receivables.

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

(ii) Non-derivative financial liabilities:

The Properties initially recognize debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized, initially on the trade date at which the Properties become party to the contractual provisions of the instrument.

The Properties derecognize a financial liability when their contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Properties have the following non-derivative financial liabilities: mortgages payable and trade and other payables.

(e) Finance costs:

Finance costs comprise interest on mortgage loans payable and accretion of effective interest on mortgage loans payable.

(f) Provisions:

Provisions are recognized when the Properties have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Properties expect some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2. Significant accounting policies (continued):

(g) New standards and interpretations not yet adopted:

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair values is dispersed among the specific standards requiring fair value measurements and in many cases do not reflect a clear measurement basis or consistent disclosure requirement for combined carve-out financial statements. The Properties do not expect that this standard will result in a material impact to the financial statements.

3. Investment properties:

At the time of acquisition of a real estate property, the Properties consider whether the acquisition represents the acquisition of a business, i.e. where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The number of investment properties owned by the acquiree;
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquiree;
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition of real estate property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

	December 31, 2012	December 31, 2011
		(Unaudited)
Balance at beginning of year	$ 32,092,453	$ 28,404,561
Fair value adjustment	2,040,751	3,687,892
Balance at end of year	$ 34,133,204	$ 32,092,453

3. Investment properties (continued):

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

Fair value of properties as at December 31, 2012 was established based on acquisition of Brugnon Properties in March 15, 2013 (Note 11).

As at December 31, 2011 and January 1, 2011, management performed an analysis on changes in capitalization rates, rental market and changes in net operating income, in order to establish the fair values.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Properties and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment properties comprise a number of multi-residential properties that are leased to third parties generally for a non-cancellable period of one year. No contingent rents are charged. See Note 10 for information relating to leases in place.

The yield applied to the net annual rents to determine the fair value of property whose current prices in an active market are unavailable is estimated to be 5.34% (December 31, 2011 - 5.57%; January 1, 2011 - 6.17%).

4. Trade and other receivables:

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
Trade receivables	$ 22,442	$ 26,549	$ 6,536
Other receivables	–	–	10,000
Allowance for doubtful accounts	(9,380)	(3,540)	(1,755)
	$ 13,062	$ 23,009	$ 14,781

4. Trade and other receivables (continued):

The Properties' exposure to credit and current risks related to trade and other receivables is disclosed in Note 8.

5. Mortgages payable:

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
Hypothecary loan, bearing interest at prime rate less 0.75%, payable in monthly installments of $4,207, principal and interest, principal payable as of May 2008, maturing in April 2013 [(i)]	$ 364,357	$ 406,137	$ 446,989
First ranking hypothecary loan, bearing interest at the rate of 2.797%, payable in monthly installments of $71,040, principal and interest, principal payable commencing December 2010, maturing in November 2015 [(ii)]	15,732,606	16,141,400	16,538,255
First ranking hypothecary loan, bearing interest at the rate of 3.534%, payable in monthly installments of 27,287$, principal and interest, principal payable commencing May 2011, maturing in April 2016 [(iii)]	5,874,305	5,993,391	–
Less financing fees	(586,651)	(767,972)	(38,940)
	21,384,617	21,772,956	16,946,304
Current portion of mortgages payable	907,997	568,918	439,656
	$ 20,476,620	$ 21,204,038	$ 16,506,648

5. Mortgages payable (continued):

Future principal payments on the mortgages payable are as follows:

	Scheduled repayments	Principal maturity	Total
2013	$ 557,777	$ 350,220	$ 907,997
2014	559,876	–	559,876
2015	539,102	14,473,331	15,012,433
2016	45,134	5,445,828	5,490,962
	$ 1,701,889	$ 20,269,379	$ 21,971,268

(i) This loan is secured by the Properties 2140-2144 and 2146-2150 de Merlac, Québec (Québec).

(ii) This loan is secured by:

(a) the Properties 1580-1680 Père-Lelièvre, 1801-1911 and 1832-2026 Hallé and 1849-2131 and 2002-2130 de Merlac, Québec (Québec);

(b) an unconditional guarantee of Stephan Huot up to $7,011,000.

(iii) This loan is secured by:

(a) the Properties 1580-1680 Père-Lelièvre, 1832-2026 and 1801-1911 Hallé and 1849-2131 and 2002-2130 de Merlac, Québec (Québec) in parallel with 5 (ii) above;

(b) an unconditional guarantee of Stephan Huot up to $11,304,000.

6. Additional information on cash flows:

The net change in non-cash operating working capital items is as follows:

	December 31, 2012	December 31, 2011
		(Unaudited)
Decrease (increase) in prepaid expenses and deposits	$ 18,018	$ (7,482)
Decrease (increase) in trade and other receivables	9,947	(8,228)
Increase in trade and other payables	67,795	43,833
	$ 95,760	$ 28,123

7. Related party transactions:

The following table summarizes the Properties' related party transactions concluded with companies under control of the ultimate owner of the Properties:

For the years ended	December 31, 2012	December 31, 2011
		(Unaudited)
Management fees charged by Société de placement Huot inc.	$ 102,854	$ 101,778
Salary expenses charged by Société de Placement Huot inc.	92,725	100,880
	$ 195,579	$ 202,658

The management fees include the compensation of key management personnel, the Chief Executive Officer, Mr. Huot, and the Chief Financial Officer, Mr. Boulanger.

8. Financial instruments:

(a) Credit risk:

(i) Exposure to credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Properties' trade receivables.

Additionally, the Properties mitigate customers' credit risk through conducting credit assessment for new tenants. The customers' credit risk is spread between tenants having approximately the same lease value.

The terms of the rental agreements require payment of the rent on the first day of the month. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

8. Financial instruments (continued):

(a) Credit risk (continued):

(i) Exposure to credit risk (continued):

The carrying amount of financial assets, as disclosed below, represents the Properties' maximum credit exposure.

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
		Carrying amount	
Trade and other receivables	$ 13,062	$ 23,009	$ 14,781

(ii) Impairment losses:

The aging of trade receivables at the reporting date was:

	December 31, 2012		December 31, 2011		January 1, 2011	
				(Unaudited)		(Unaudited)
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	$ 13,062	$ –	$ 23,009	$ –	$ 14,781	$ –
Past due 0-30 days	–	–	–	–	1,340	(1,340)
Past due 31-120 days	9,380	(9,380)	3,540	(3,540)	415	(415)
	$ 22,442	$ (9,380)	$ 26,549	$ (3,540)	$ 16,536	$ (1,755)

The allowance account in respect of loans and receivables is used to record impairment losses unless the Properties are satisfied that no recovery of the amount owing is possible, at which point the amounts are considered irrecoverable and are written off against the financial asset directly. As at December 31, 2012, $5,840 was written off by management (December 31, 2011 - $5,293; January 1, 2011 - nil).

8. Financial instruments (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Properties will not be able to meet its financial obligations as they fall due. The Properties manage liquidity risk through the management of their capital structure and financial leverage, as well as continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Properties' operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2012

	Carrying amount	Contractual cash flows	Estimated payment schedule 2013	2014	2015	2016
Mortgage payable	$ 21,384,617	$ 23,864,089	$ 1,546,973	$ 1,179,924	$ 15,582,215	$ 5,554,977
Trade and other payables	205,516	205,516	205,516	–	–	–
	$ 21,590,133	$ 24,069,605	$ 1,752,489	$ 1,179,924	$ 15,582,215	$ 5,554,977

As at December 31, 2011

(Unaudited)

	Carrying amount	Contractual cash flows	Estimated payment schedule 2012	2013	2014	2015	2016
Mortgage payable	$ 21,772,956	$ 25,094,503	$ 1,230,414	$ 1,546,973	$ 1,179,924	$ 15,582,215	$ 5,554,977
Trade and other payables	137,721	137,721	137,721	–	–	–	–
	$ 21,910,677	$ 25,232,224	$ 1,368,135	$ 1,546,973	$ 1,179,924	$ 15,582,215	$ 5,554,977

As at January 1, 2011

(Unaudited)

	Carrying amount	Contractual cash flows	Estimated payment schedule 2011	2012	2013	2014	2015
Mortgage payable	$ 16,946,304	$ 19,132,707	$ 902,967	$ 902,967	$ 1,219,527	$ 852,477	$ 15,254,769
Trade and other payables	81,405	81,405	81,405	–	–	–	–
	$ 17,027,709	$ 19,214,112	$ 984,372	$ 902,967	$ 1,219,527	$ 852,477	$ 15,254,769

8. Financial instruments (continued):

(b) Liquidity risk (continued):

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Foreign currency risk:

All of the Properties' cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Properties' functional and reporting currency.

(d) Interest rate risk:

The Properties are exposed to interest rate risk as interest rate fluctuations could have an impact on its operations. When interest bearing, the investment income generated from cash bears interest at variable rates.

At the reporting date, the interest rate profile of the Properties' interest-bearing financial instruments were:

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
Fixed rate instruments:			
Financial liabilities	$ 21,606,911	$ 22,134,791	$ 16,538,255
Variable rate instruments:			
Financial liabilities	364,357	406,137	446,989

(i) Fair value sensitivity analysis for fixed rate instruments:

The Properties do not account for any fixed rate financial liabilities at fair value through comprehensive income. Therefore, a change in interest rates at the reporting date would not affect comprehensive income.

(ii) Cash flow sensitivity analysis for variable rate instruments:

A 100-basis point increase or decrease in the average interest rate for the fiscal year, assuming that all other variable remain constant would decrease or increase the Properties' comprehensive income by $3,825 for the year ended December 31, 2012 ($4,265 - 2011).

8. Financial instruments (continued):

(e) Fair values:

(i) Fair values vs. carrying amounts:

The estimated fair value of financial assets and liabilities, together with the carrying amounts shown in the combined carve-out statement of financial position, are as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
				(Unaudited)		(Unaudited)
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost:						
Trade and other receivables	$ 13,062	$ 13,062	$ 23,009	$ 23,009	$ 14,781	$ 14,781
Liabilities carried at amortized cost:						
Mortgages payable	21,384,617	22,311,659	21,772,956	23,054,049	16,946,304	16,408,445
Trade and other payables	205,516	205,516	137,721	137,721	81,405	81,405

A number of the Properties' accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Properties use a fair value hierarchy to categorize the type of valuation techniques from which fair value are derived. The different levels of the hierarchy are quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

(ii) Mortgages payable:

The fair value of the Properties' mortgages payable are calculated by discounting cash flows from financial obligations using the government yield curve at the reporting date plus an adequate credit spread.

9. Finance costs:

	December 31, 2012	December 31, 2011
		(Unaudited)
Interest expense on financial liabilities measured at amortized cost	$ 741,949	$ 636,815
Accretion of effective interest on financial liabilities	181,321	136,263
Finance cost recognized in comprehensive income	$ 923,270	$ 773,078

10. Operating leases:

The Properties lease out their apartments held under operating leases (see Note 3). All leases are for one year or less. The future minimum lease payment under non-cancellable leases is as follows:

	December 31, 2012	December 31, 2011
		(Unaudited)
Less than one year	$ 1,282,750	$ 1,287,825

During the year ended December 31, 2012, $2,571,348 was recognized as rental income in comprehensive income (2011 - $2,544,456). Repairs and maintenance expense recognized in operating costs was $168,786 (2011 - $123,933).

11. Subsequent event:

On March 15, 2013, the Brugnon Properties were acquired by Capital BLF Inc. for a purchase price of $33,900,000.

APPENDIX 6

MONIQUE BEADEAU AND PARTNERS CO-OWNERSHIP

Audited Financial Statements

Year ended December 31st 2012

Financial Statements of

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Year ended December 31, 2012

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Co-Owners of Monique Badeau and Partners Co-Ownership

We have audited the accompanying financial statements of Monique Badeau and Partners Co-Ownership, which comprise the statement of financial position as at December 31, 2012, the statements of comprehensive income, changes in Co-Owners' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Monique Badeau and Partners Co-Ownership as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

Comparative Information

The financial statements as at and for the year ended December 31, 2011 and the financial position as at January 1, 2011 of Monique Badeau and Partners Co-Ownership are unaudited. Accordingly, we do not express an opinion on them.

KPMG LLP*

May 25, 2013

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A105973

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Financial Statements

Year ended December 31, 2012

Financial Statements

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Statement of Financial Position

December 31, 2012, with comparative information as at December 31, 2011 and January 1, 2011

	Note	December 31, 2012	December 31, 2011	January 1, 2011
			(Unaudited)	(Unaudited)
Assets				
Investment properties	4	$ 6,450,000	$ 5,908,871	$ 5,436,518
Non-current assets		6,450,000	5,908,871	5,436,518
Prepaid expenses and deposits		47,671	66,956	20,022
Trade receivables		7,541	6,230	4,896
Due from Co-Owners		12,670	10,880	–
Cash		7,092	2,598	23,177
Current assets		74,974	86,664	48,095
Total assets		$ 6,524,974	$ 5,995,535	$ 5,484,613
Liabilities				
Mortgages payable	5	$ –	$ 3,489,441	$ 3,544,448
Non-current liabilities		–	3,489,441	3,544,448
Current portion of mortgages payable	5	3,533,715	100,974	96,696
Trade and other payables		57,464	50,192	76,045
Due to Co-Owners		–	–	9,804
Current liabilities		3,591,179	151,166	182,545
Co-Owners' Equity		2,933,795	2,354,928	1,757,620
Total liabilities and Co-Owners' equity		$ 6,524,974	$ 5,995,535	$ 5,484,613

The notes on pages 5 to 18 are an integral part of these financial statements.

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Statement of Comprehensive Income

Year ended December 31, 2012, with comparative information for 2011

	Note	2012	2011
			(Unaudited)
Rental revenue from investment properties	11	$ 691,654	$ 686,804
Operating costs		357,056	280,544
Net operating income		334,598	406,260
Net adjustment to fair value of investment properties		539,977	468,686
Administrative expenses		(60,550)	(47,318)
Finance costs		(235,158)	(230,320)
Net income and comprehensive income for the year		$ 578,867	$ 597,308

The notes on pages 5 to 18 are an integral part of these financial statements.

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Statement of Changes in Co-Owners' Equity

Year ended December 31, 2012, with comparative information for 2011

	Total
Balance at January 1, 2011 (unaudited)	$ 1,757,620
Net income and comprehensive	597,308
Balance at December 31, 2011 (unaudited)	2,354,928
Net income and comprehensive	578,867
Balance at December 31, 2012	$ 2,933,795

The notes on pages 5 to 18 are an integral part of these financial statements.

MONIQUE BADEAU AND PARTNERS CO-OWNERSHIP

Statement of Cash Flows

Year ended December 31, 2012, with comparative information for 2011

	Note	2012	2011
			(Unaudited)
Cash flows from operating activities:			
Net income for the year		$ 578,867	$ 597,308
Adjustment for:			
Net adjustment to fair value of investment properties		(539,977)	(468,686)
Finance costs		235,158	230,320
		274,048	358,942
Change in other non-cash operating working capital items	6	25,246	(74,120)
Net cash from operating activities		299,294	284,822
Cash flows used in financing activities:			
Mortgage loan reimbursements		(104,487)	(96,088)
Interest paid		(187,371)	(184,962)
Net increase in due to Co-Owners		(1,790)	(20,684)
Net cash used in financing activities		(293,648)	(301,734)
Cash flows used in investing activities:			
Capitalized investment property expenditures		(1,152)	(3,667)
Net cash used in investing activities		(1,152)	(3,667)
Net change in cash		4,494	(20,579)
Cash, beginning of year		2,598	23,177
Cash, end of year		$ 7,092	$ 2,598

The notes on pages 5 to 18 are an integral part of these financial statements.

1. Reporting entity:

Monique Badeau and Partners Co-Ownership (the "Co-Ownership") owns and operated the following residential properties located in Québec (Québec) which operates as one segment.

- 111 and 115, boulevard Johnny Parent
- 136 and 140, rue Légaré

The Co-Ownership is domiciled in Canada and the address of the office is 311, rue de la Seine, Suite 4, Québec (Québec).

These financial statements present the financial position, results of operation and cash flows of the Co-Ownership, and, accordingly, do not include all the assets, liabilities, revenues and expenses of the Co-Owners.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements are the Co-Ownership's first International Financial Reporting Standards ("IFRS") financial statements and have been prepared in accordance with IFRS, including IFRS 1, *First-time Adoption of IFRS*, as issued by the International Accounting Standards Board. No stand-alone financial statements have been prepared for any previous years. Therefore no transitional elections were required.

The financial statements were authorized for issue by the Co-Owners on May 25, 2013.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investment properties which is measured at fair value in the statement of financial position.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars which is the Co-Ownership's functional currency.

(d) Critical judgments and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Basis of preparation (continued):

(d) Critical judgments and estimates (continued):

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following note:

Note 4 - classification of investment properties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

Note 4 - valuation of investment properties.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Investment property:

Investment properties are those which are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially at cost including acquisition costs and other transaction costs, and subsequently at fair value with any change therein recognized in profit or loss.

(b) Rental revenue:

Rental revenue from investment properties leased out under operating leases is recognized in comprehensive income on a straight-line basis over the term of the leases. Lease incentives granted are recognized as an integral part of the total rental revenue. Rental revenues include residential rents and parking fees.

The Co-Ownership commences revenue recognition on its leases based on a number of factors. In most cases, revenue recognition under a lease begins when the tenant takes possession of, or controls, the physical use of the leased property. Generally, this occurs on the lease commencement date.

Cancellation fees or premiums received to terminate leases are recognized in profit or loss when they arise.

(c) Income taxes:

The Co-Ownership does not account for income taxes since, under existing tax legislation, it is the owners who are subject to taxes.

3. Significant accounting policies (continued):

(d) Financial instruments:

(i) Non-derivative financial assets:

The Co-Ownership initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Partnership becomes a party to the contractual provisions of the instrument.

The Co-Ownership derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Co-Ownership has the following non-derivative financial assets:

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Receivables comprise trade receivables.

Cash comprise cash balances with banks.

(ii) Non-derivative financial liabilities:

The Co-Ownership initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Partnership becomes a party to the contractual provisions of the instrument.

The Co-Ownership derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Co-Ownership has the following non-derivative financial liabilities: mortgages payable and trade and other payables.

3. Significant accounting policies (continued):

(e) Finance costs:

Finance costs comprise interest on mortgage loans payable and accretion of effective interest on mortgage loans payable.

(f) Provisions:

Provisions are recognized when the Co-Ownership has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Co-Ownership expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(g) New standards and interpretations not yet adopted:

IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Co-Ownership does not expect that this standard will result in a material impact to the financial statements.

4. Investment properties:

At the time of acquisition of a real estate property, the Co-Ownership considers whether the acquisition represents the acquisition of a business, i.e. where an integrated set of activities is acquired in addition to the investment property. More specifically, the following criteria are considered:

- The number of investment property owned by the acquire.
- The extent to which significant processes are acquired and in particular the extent of ancillary services provided by the acquire.
- Whether the acquiree has allocated its own staff to manage the investment property and/or to deploy any processes (including all relevant administration such as invoicing, cash collection, provision of management information to the entity's owners and tenant information).

4. Investment properties (continued):

An acquisition of a business is accounted for as a business combination under IFRS 3, *Business Combinations*.

When the acquisition of real estate property does not represent a business, it is accounted for as an acquisition of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values.

	December 31, 2012	December 31, 2011
		(Unaudited)
Balance at beginning of year	$ 5,908,871	$ 5,436,518
Capital expenditures	1,152	3,667
Fair value adjustment	539,977	468,686
Balance at end of year	$ 6,450,000	$ 5,908,871

The fair value of the investment property as at December 31, 2012 is based on the selling price of the properties which occurred on March 15, 2013. See subsequent events in Note 12.

The fair values as at December 31, 2011 and January 1, 2011, in the absence of current prices in an active market, are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Co-Ownership and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment properties comprise a number of multi-residential properties that are leased to third parties generally for a non-cancellable period of one year. No contingent rents are charged. See Note 11 for information relating to leases in place.

The range of yields applied to the net annual rents to determine the fair value of property whose current prices in an active market are unavailable is estimated to be 6.33% (6.77% as at December 31, 2011; 7.21% as at January 1, 2011).

5. Mortgages payable:

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
Hypothecary loan, bearing interest at the rate of 4.393%, payable in monthly instalments of $18,093, principal and interest, maturing in January 2013 [(i)]	$ 2,911,029	$ 3,001,091	$ 3,083,853
Hypothecary loan, bearing interest at a rate of 3.982%, payable in monthly instalments of $2,925, principal and interest, maturing in February 2013 [(i)]	522,686	537,111	550,437
Loan bearing no interest, maturing on May 19, 2013	100,000	100,000	100,000
Less financing fees	–	(47,787)	(93,146)
	3,533,715	3,590,415	3,641,144
Current portion of mortgages payable	3,533,715	100,974	96,696
	$ –	$ 3,489,441	$ 3,544,448

[(i)] The loans are secured by the Properties 111 and 115 Boulevard Johnny Parent and 136-140 Légaré, Québec (Québec).

Future principal payments on the mortgages payable are as follows:

	Scheduled repayments	Principal maturity	Total
2013	$ 33,748	$ 3,499,967	$ 3,533,715

6. Additional information on cash flows:

The net change in non-cash operating working capital items is as follows:

	December 31, 2012	December 31, 2011
		(Unaudited)
Decrease (increase) in prepaid expenses and deposits	$ 19,285	$ (46,934)
Increase in trade receivables	(1,311)	(1,334)
Decrease (increase) in trade and other payables	7,272	(25,852)
	$ 25,246	$ (74,120)

7. Related party transactions:

The following tables summarize the Co-Ownership's related party transactions concluded with Co-Owners of the Co-Ownership:

For the year ended	December 31, 2012	December 31, 2011
		(Unaudited)
Management fees paid to Co-Owners	$ 60,000	$ 60,000
Interest paid to Co-Owners	35,382	28,649

Key management personnel of the Co-Ownership are compensated through the management fees paid to Co-Owners.

8. Financial instruments:

(a) Credit risk:

(i) Exposure to credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Partnership's trade receivables. The Co-Ownership may also have credit risk relating to cash.

Additionally, the Co-Ownership mitigates customers' credit risk through conducting credit assessment for new tenants. The customers' credit risk is spread between tenants having approximately the same lease value.

8. Financial instruments (continued):

(a) Credit risk (continued):

(i) Exposure to credit risk (continued):

The terms of the rental agreements require payment of the rent on the first day of the month. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The Co-Ownership places its cash and cash equivalent investments with Canadian financial institutions with high credit ratings. Credit ratings are actively monitored and these financial institutions are expected to meet their obligation.

The carrying amount of financial assets, as disclosed below, represents the Co-Ownership's maximum credit exposure.

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
		Carrying amount	
Trade receivables	$ 7,541	$ 6,230	$ 4,896
Cash	7,092	2,598	23,177
	$ 14,633	$ 8,828	$ 28,073

(ii) Impairment losses:

The aging of receivables were:

	December 31, 2012		December 31, 2011		January 1, 2011	
				(Unaudited)		(Unaudited)
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	$ 1,505	$ 980	$ 720	$ –	$ 25	$ –
Past due 0-30 days	4,679	1,675	5,106	830	2,393	–
Past due 31-120 days	13,246	9,234	3,949	2,715	2,478	–
	$ 19,430	$ 11,889	$ 9,775	$ 3,545	$ 4,896	$ –

8. Financial instruments (continued):

(a) Credit risk (continued):

(ii) Impairment losses (continued):

The allowance account in respect of loans and receivables is used to record impairment losses unless the Co-Ownership is satisfied that no recovery of the amount owing is possible, at which point the amounts are considered irrecoverable and are written off against the financial asset directly. As at December 31, 2012, nil was written off by management (December 31, 2011 - nil; January 1, 2011 - nil).

(b) Liquidity risk:

Liquidity risk is the risk that the Co-Ownership will not be able to meet its financial obligations as they fall due. The Co-Ownership manages liquidity risk through the management of its capital structure and financial leverage as well as continuously monitoring actual and projected cash flows. The Co-Owners reviews and approves the Co-Ownership's operating and capital budgets as well as any material transactions out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	As at December 31, 2012		
			Estimated payment schedule
	Carrying amount	Contractual cash flows	2013
Mortgage payable	$ 3,533,715	$ 3,551,365	$ 3,551,365
Trade and other payables	57,464	57,464	57,464
	$ 3,591,179	$ 3,608,829	$ 3,608,829

8. Financial instruments (continued):

(b) Liquidity risk (continued):

			As at December 31, 2011 (Unaudited)	
			Estimated payment schedule	
	Carrying amount	Contractual cash flows	2012	2013
Mortgage payable	$ 3,590,415	$ 3,803,573	$ 252,208	$ 3,551,365
Trade and other payables	50,192	50,192	50,192	–
	$ 3,640,607	$ 3,853,765	$ 302,400	$ 3,551,365

			As at January 1, 2011 (Unaudited)		
			Estimated payment schedule		
	Carrying amount	Contractual cash flows	2011	2012	2013
Mortgage payable	$ 3,641,144	$ 4,055,781	$ 252,208	$ 252,208	$ 3,551,365
Trade and other payables	76,045	76,045	76,045	–	–
	$ 3,717,189	$ 4,131,826	$ 328,253	$ 252,208	$ 3,551,365

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(c) Foreign currency risk:

All of the Co-Ownership's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Co-Ownership's functional and reporting currency and as such there is no foreign currency risk.

(d) Interest rate risk:

The Co-Ownership is exposed to interest rate risk as interest rate fluctuations could have an impact on its operations. When interest-bearing, the investment income generated from cash bears interest at variable rates.

8. Financial instruments (continued):

(d) Interest rate risk (continued):

At the reporting date, the interest rate profile of the Co-Ownership's interest-bearing financial instruments was:

	December 31, 2012	December 31, 2011	January 1, 2011
		(Unaudited)	(Unaudited)
Fixed rate instruments:			
Financial liabilities	$ 3,533,715	$ 3,590,415	$ 3,641,144

Fair value sensitivity analysis for fixed rate instruments:

The Co-Ownership does not account for any fixed rate financial liabilities at fair value through comprehensive income. Therefore, a change in interest rates at the reporting date would not affect comprehensive income.

(e) Fair values:

(i) Fair values vs. carrying amounts:

The estimated fair value of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	December 31, 2012		December 31, 2011		January 1, 2011	
			(Unaudited)		(Unaudited)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost:						
Cash	$ 7,092	$ 7,092	$ 2,598	$ 2,598	$ 23,177	$ 23,177
Trade receivables	7,541	7,541	6,230	6,230	4,896	4,896
Liabilities carried at amortized cost:						
Mortgages payable	3,533,715	3,540,615	3,590,415	3,716,463	3,641,144	3,834,750
Trade and other payables	57,464	57,464	50,192	50,192	76,045	76,045

8. Financial instruments (continued):

(e) Fair values (continued):

(i) Fair values vs. carrying amounts (continued):

A number of the Co-Ownership's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Co-Ownership uses a fair value hierarchy to categorize the type of valuation techniques from which fair value are derived. The different levels of the hierarchy are quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3).

(ii) Trade receivables:

The fair value of trade receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) Mortgages payable:

The fair value of the Co-Ownership’s mortgages payable was calculated by discounting cash flows from financial obligations using the government yield curve at the reporting date plus an adequate credit spread.

9. Capital risk management:

The Co-Ownership's primary objectives when managing capital are:

- to safeguard the Co-Ownership's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- to ensure that the Co-Ownership has access to sufficient funds for acquisition or development activities.

The Co-Ownership sets the amount of capital in proportion to risk. The Co-Ownership manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Partnership may issue new shares and debt or sell assets to reduce debt or fund acquisition or development activities.

The Co-Ownership’s capital consists of Co-Owners’ equity and mortgages payable.

9. Capital risk management (continued):

The Co-Ownership's strategy for capital risk management is driven by external requirements from certain of its lenders and the Co-Ownership's working capital policies.

Environmental risk

As an owner of real property, the Co-Ownership is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws include potentially significant penalties, as well as potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect the Co-Ownership's ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against the Co-Ownership. In accordance with best management practices, Phase 1 audits are completed on all properties prior to acquisition. The Co-Ownership has operating policies to monitor and manage environmental risk.

10. Finance costs:

	December 31, 2012	December 31, 2011
		(Unaudited)
Interest expense on financial liabilities measured at amortized cost	$ 187,371	$ 184,961
Accretion of effective interest on financial liabilities	47,787	45,359
Finance costs recognized in comprehensive income	$ 235,158	$ 230,320

11. Operating leases:

The Partnership leases out its investment properties held under operating leases (see Note 5). All leases are for one year or less. The future minimum lease payment under non-cancellable leases is as follows:

	December 31, 2012	December 31, 2011
		(Unaudited)
Less than one year	$ 345,827	$ 344,402

11. Operating leases (continued):

During the year ended December 31, 2012, $691,654 was recognized as rental income in comprehensive income (December 31, 2011 - $686,804). Repairs and maintenance expense recognized in operating costs was $75,390 for the year ended December 31, 2012 (December 31, 2011 - $53,489).

12. Subsequent event:

On March 15, 2013, the investment properties were acquired by Capital BLF Inc. for a consideration of $6,450,000.

APPENDIX 7

LA SOCIÉTÉ EN COMMANDITE LES IMMEUBLES 1111-21 MISTRAL

Independent Auditor's Report and Financial Statements

December 31st 2012

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

DECEMBER 31, 2012

DENIS
THÉRIEN | CPA

INDEPENDENT AUDITOR'S REPORT

To the Partners of La société en commandite Les Immeubles 1111-21 Mistral

We have audited the accompanying financial statements of La société en commandite Les Immeubles 1111-21 Mistral, which comprise the balance sheet as at December 31, 2012, and the statements of income, partners' deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of acounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of La société en commandite Les Immeubles 1111-21 Mistral as at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Denis Thérien, CPA auditor, CA

March 14, 2013

1400, BOULEVARD DE LA GRANDE-ALLÉE, BUREAU 201, BOISBRIAND (QUÉBEC) J7G 2Z8
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LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

FINANCIAL STATEMENTS

DECEMBER 31, 2012

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
REVENUES		
Rental income	**$ 1,890,077**	$ 1,846,953
Interest	**86**	6,617
	1,890,163	1,853,570
EXPENSES		
Taxes	**177,484**	181,656
Insurance	**19,573**	19,269
Heat and power	**277,015**	271,679
Repairs and maintenance	**170,978**	160,297
Major repairs	**87,738**	485,110
Concierge	**127,170**	123,270
Pool monitoring	**9,089**	9,217
Rental charges	**24,799**	20,407
Bad debts	**8,783**	12,627
	902,629	1,283,532
GROSS MARGIN	**987,534**	570,038
ADMINISTRATION		
Management fees	**97,436**	95,268
Professional fees	**33,784**	25,988
Legal fees	**22,144**	7,837
Supervisory committee and other charges	**25,025**	10,832
	178,389	139,925
FINANCING		
Interest on long-term debt	**277,661**	282,636
Interest and bank charges	**3,452**	4,092
	281,113	286,728
	459,502	426,653
INCOME BEFORE DEPRECIATION	**528,032**	143,385
Depreciation (note 3)	**134,700**	133,994
NET INCOME	**$ 393,332**	$ 9,391

The accompanying notes are an integral part of the financial statements.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

STATEMENT OF PARTNERS' DEFICIENCY

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
BALANCE, BEGINNING OF YEAR (DEFICIENCY)	**$ (3,696,242)**	$ (3,108,633)
PARTNERS' DISTRIBUTIONS	**(472,631)**	(597,000)
	(4,168,873)	(3,705,633)
NET INCOME	**393,332**	9,391
BALANCE, END OF YEAR (DEFICIENCY)	**$ (3,775,541)**	$ (3,696,242)

The accompanying notes are an integral part of the financial statements.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

BALANCE SHEET

DECEMBER 31, 2012

	2012	2011
ASSETS		
CURRENT		
Cash	$ **174,753**	$ 632,036
Accounts receivable	**15,095**	16,297
Deposit (note 4)	**36,000**	
Prepaid taxes	**61,942**	63,986
Prepaid expenses	**32,401**	31,894
	320,191	744,213
LONG-TERM		
FIXED ASSETS (note 5)	**1,619,624**	1,721,728
TOTAL ASSETS	$ **1,939,815**	$ 2,465,941

	2012	2011
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **166,531**	$ 538,084
Current portion of long-term debt	**108,236**	103,031
Renewable long-term debt	**5,440,589**	
	5,715,356	641,115
LONG-TERM		
LONG-TERM DEBT (note 6)		5,521,068
TOTAL LIABILITIES	**5,715,356**	6,162,183
PARTNERS' DEFICIENCY (note 7)	**(3,775,541)**	(3,696,242)
TOTAL LIABILITIES AND PARTNERS' DEFICIENCY	$ **1,939,815**	$ 2,465,941

ON BEHALF OF THE GENERAL PARTNER

121408 Canada Inc.

The accompanying notes are an integral part of the financial statements.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Net income	$ **393,332**	$ 9,391
Non-cash items:		
Depreciation of fixed assets	**106,945**	106,240
Amortization of financing fees	**27,755**	27,754
	528,032	143,385
Net change in non-cash working capital items (note 8)	(**404,814**)	410,471
	123,218	553,856
INVESTING ACTIVITY		
Acquisition of fixed assets	(**4,841**)	(2,849)
FINANCING ACTIVITIES		
Partners' distributions	(**472,631**)	(597,000)
Repayment of long-term debt	(**103,029**)	(98,077)
	(**575,660**)	(695,077)
DECREASE IN CASH AND CASH EQUIVALENTS	(**457,283**)	(144,070)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**632,036**	776,106
CASH AND CASH EQUIVALENTS, END OF YEAR (note 9)	$ **174,753**	$ 632,036

The accompanying notes are an integral part of the financial statements.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

1 - GOVERNING STATUTE AND NATURE OF BUSINESS

The Partnership was formed as a Limited Partnership on March 21, 1983 and rents two residential buildings located in Montreal. Since its establishment, the Limited Partnership has been managed by the general partner, 121408 Canada Inc.

2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE) and include the following significant accounting policies.

Presentation of financial statements

La société en commandite Les Immeubles 1111-21 Mistral (the Limited Partnership) was not formed as a business corporation. The financial statements present the assets, liabilities, income and expenses of the Limited Partnership. No provision for salaries to partners, interest on invested capital or income taxes, which are the responsibility of the individual partners, are included in the financial statements.

Use of estimates

The preparation of these financial statements, in accordance with Canadian accounting standards for private enterprises, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the current period. However, actual information could differ from that determined based on these estimates and assumptions. These estimates are reviewed periodically and adjustments are made to income in the year they become known.

Revenue recognition

The Limited Partnership rents two buildings, including 224 units. The rental income is recognized on a straight-line basis over the term of the tenant's lease agreements.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial instrument measurement

Assets and liabilities are measured initially at fair value, except for certain transactions not concluded in the normal course of business. They are subsequently measures at amortized cost.

Cash and cash equivalents

The Limited Partnership policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn and term deposits with a maturity period of three months or less from the date of acquisition.

Fixed assets

Fixed assets are recorded at their historical cost. Depreciation is determined under the following methods and rates:

Buildings	2.5% straight-line
Furniture and equipment	20% diminishing balance

3 - DEPRECIATION

	2012	2011
Depreciation of fixed assets	**$ 106,945**	$ 106,240
Amortization of financing fees	**27,755**	27,754
	$ 134,700	$ 133,994

4 - DEPOSIT

The Limited Partnership deposited an amount of $36,000 to a legalist to cover the payment of transactions incurred during the current year.

LA SOCIÉTÉ EN COMMANDITE
LES IMMEUBLES 1111-21 MISTRAL

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

5 - FIXED ASSETS

	Cost	Accumulated depreciation	**2012 Book value**	2011 Book value
Land	$ 341,920		**341,920**	$ 341,920
Buildings	4,071,784	$ 2,810,883	**$ 1,260,901**	1,362,696
Furniture and equipment	279,344	262,541	**16,803**	17,112
	$ 4,693,048	$ 3,073,424	**$ 1,619,624**	$ 1,721,728

6 - LONG-TERM DEBT

	2012	2011
Initial mortgage of $5,957,600, repayable in monthly instalments of $31,760, including interest calculated at a rate of 4,99%, renewable on December 5, 2013, amortized over a period of 30 years from January 2009, collateralized by the land and buildings located at 1111 and 1121 Mistral, Montreal and by Canada Mortgage and Housing Corporation	**$ 5,574,267**	$ 5,677,296
Financing fees	**25,442**	53,197
	5,548,825	5,624,099
Current portion	**108,236**	103,031
Loan renewable during the next year	**5,440,589**	
	$	$ 5,521,068

Assuming the renewal of the debt at the same conditions, the instalments required to paid over the next 5 years are as follows: 2013, $108,236; 2014, $113,704; 2015, $119,449; 2016, $125,484 and 2017, $131,824.

The financing fees represent mortgage renewal fees on December 1, 2008 which were on the order of $136,460. These fees are amortized over a Five-year period using the straitght-line method.

7 - PARTNERS' DEFICIENCY

The Partners' deficiency, consisting of the equivalent of 99.5 units, includes the following cumulative items:

	2012	2011
Partners' contributions	**$ 1,260,689**	$ 1,260,689
Partners' distributions	**(8,244,260)**	(7,771,629)
	(6,983,571)	(6,510,940)
Cumulative income	**3,208,030**	2,814,698
	$ (3,775,541)	$ (3,696,242)

8 - INFORMATION ON OPERATING ACTIVITIES

Net-change in non-cash working capital items:

Accounts receivable	**$ 1,202**	$ 2,249
Deposit	**(36,000)**	
Prepaid taxes	**2,044**	(4,733)
Prepaid expenses	**(507)**	1,950
Accounts payable and accrued charges	**(371,553)**	411,005
	$ (404,814)	$ 410,471

9 - CASH AND CASH EQUIVALENTS

	2012	2011
Cash	$ 174,753	$ 632,036

10 -COMMITMENT AND RELATED PARTY TRANSACTIONS

Management fees

According to the terms of the Limited Partnership agreement entered into between the limited partners and the general partner, the Limited Partnership agrees to pay annual management fees of up to 4,5 % based on collected revenues.

These transactions were concluded at their fair value and it is comparable to the market for similar services.

11- FINANCIAL INSTRUMENTS

The Limited Partnership is exposed to various risks. The following analysis provides a measure of the Limited Partnership's risk exposure and concentrations as at December 31, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Limited Partnership is exposed to this risk mainly in respect of its long-term debt.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The market risk includes 3 risks: currency risk, interest rate risk and other price risk. The Limited Partnership is exposed to the interest rate risk only.

11- FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Limited Partnership is exposed to interest rate risk on its fixed interest rate long-term debt. Fixed-rate instruments subject the Limited Partnership to a fair value risk.

12 - OFFER TO PURCHASE THE BUILDINGS

On December 12, 2012, the Limited Partnership accepted a bid for its buildings amounting to $14,600,000. On February 28, 2013, the buyer requested that the closing date of the transaction is given to the March 15, 2013 or such other date to which the parties may agree. In addition, he reiterated that the closing date would be subject to a subscription by equity financing on public capital markets.

APPENDIX G

BOARD OF TRUSTEES MANDATE

BOARD MANDATE

Trustees' Responsibilities

The Trustees are explicitly responsible for the stewardship of the REIT. To discharge this obligation, the Trustees shall:

Strategic Planning Process

- Provide input to management on emerging trends and issues.
- Review and approve management's strategic plans.
- Review and approve the REIT's financial objectives, plans and actions, including significant capital allocations and expenditures.

Monitoring Tactical Progress

- Monitor the REIT's performance against the strategic and business plans, including assessing operating results to evaluate whether the business is being properly managed.

Risk Assessment

- Identify the principal risks of the REIT's businesses and ensure that appropriate systems are in place to manage these risks.

Senior Level Staffing

- Select, monitor and evaluate the Chief Executive Officer ("CEO") and other senior executives, and ensure management succession.
- Approve a position description for the CEO including limits to management's responsibilities and corporate objectives which the CEO is responsible for meeting, all upon recommendation from the Governance, Remuneration and Nominating Committee.

Integrity

- Ensure the integrity of the REIT's internal control and management information systems.
- Ensure ethical behaviour and compliance with laws and regulations, audit and accounting principles, and the REIT's own governing documents.

Material Transactions

- Review and approve material transactions not in the ordinary course of business. Monitoring Trustees' Effectiveness
- Assess its own effectiveness in fulfilling the above and Trustees' responsibilities, including monitoring the effectiveness of individual Trustees.

Other

- Perform such other functions as prescribed by law or assigned to the Trustees in the REIT's Contract of Trust.

APPENDIX H

AUDIT COMMITTEE MANDATE

AUDIT COMMITTEE MANDATE

1. PURPOSE

The overall purpose of the Audit Committee (the "Committee") of the REIT is to monitor the REIT's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the REIT, to enhance the independence of the REIT's external auditors and to oversee the financial reporting process of the REIT.

2. COMPOSITION, PROCEDURES AND ORGANIZATION

2.1. The Committee shall consist of at least three members of the Board of the REIT (the "Board"), each of whom shall be, in the determination of the Board, "independent" as that term is defined by Multilateral Instrument 52-110, as amended from time to time, and the majority of whom shall be resident Canadians. Each member shall complete and return to the REIT annually a questionnaire regarding the member' s independence.

2.2. All members of the Committee shall be, in the determination of the Board, "financially literate" as that term is defined by Multilateral Instrument 52-110, and at least one member of the Committee must have, in the determination of the Board, "accounting or related financial expertise".

2.3. The Board, at its organizational meeting held in conjunction with each annual meeting of unitholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the REIT shall cease to be a member of the Committee.

2.4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.

2.5. The Committee shall have access to such officers and employees of the REIT and to the REIT's external auditors and its legal counsel, and to such information respecting the REIT as it considers to be necessary or advisable in order to perform its duties.

2.6. Notice of every meeting shall be given to the external auditors, who shall, at the expense of the REIT, be entitled to attend and to be heard thereat.

2.7. Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet on a regular basis, at such times and at such locations as the chair of the Committee shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any trustee of the REIT may request the chair of the Committee to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the chair of the Committee; and

(d) the external auditors and management employees shall, when required by the Committee, attend any meeting of the Committee.

2.8. The external auditors shall be entitled to communicate directly with the chair of the Committee and may meet separately with the Committee. The Committee, through its chair, may contact directly any employee in the REIT as it deems necessary, and any

employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

2.9. Compensation to members of the Committee shall be limited to trustee's fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the REIT (other than as members of the Board and Board committee members).

2.10. The Committee is authorized, at the REIT's expense, to retain independent counsel and other advisors as it determines necessary to carry out its duties and to set their compensation.

3. DUTIES

3.1. The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of its duties relating to the REIT's accounting policies and practices, reporting practices and internal controls;

(b) establish and maintain a direct line of communication with the REIT's external auditors and assess their performance;

(c) oversee the co-ordination of the activities of the external auditors;

(d) ensure that the management of the REIT has designed, implemented and is maintaining an effective system of internal controls;

(e) monitor the credibility and objectivity of the REIT's financial reports;

(f) report regularly to the Board on the fulfillment of the Committee's duties;

(g) assist the Board in the discharge of its duties relating to the REIT's compliance with legal and regulatory requirements; and

(h) assist the Board in the discharge of its duties relating to risk assessment and risk management.

3.2. The Committee shall be directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT, including the resolution of disagreements between management and the external auditors regarding financial reporting, and in carrying out such oversight the Committee's duties shall include:

(a) recommending to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the REIT;

(b) reviewing, where there is to be a change of external auditors, an issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 —Continuous Disclosure Obligations or any successor legislation ("NI 51-102"), and the planned steps for an orderly transition;

(c) reviewing an reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(e) reviewing the performance, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(f) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm' s independence in carrying out the audit function.

3.3. The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) review the audit plan with the external auditor and management;

(b) review with the external auditor and management any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of management that may in any such case be material to financial reporting;

(c) review the contents of the audit report;

(d) question the external auditor and management regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(e) review the scope and quality of the audit work performed;

(f) review the adequacy of the REIT's financial and auditing personnel;

(g) review the co-operation received by the external auditor from the REIT's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(h) review the internal resources used;

(i) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with management's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(j) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) and any key financial executives involved in the financial reporting process;

(k) review and approve the REIT's annual audited financial statements and those of its subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(l) review and approve the REIT's interim unaudited financial statements, and obtain an explanation from management of all significant variances between comparative reporting periods before release to the public;

(m) establish a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and employees' confidential anonymous submission of concerns regarding accounting and auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

3.4. The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the REIT's financial reporting as reported to the Committee by management and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the REIT's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by management;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by management;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review and approve before their release all public disclosure documents containing audited or unaudited financial information, including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management's discussion and analysis; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

3.5. The other duties of the Committee shall include:

(a) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(b) formulating clear hiring policies for employees or former employees of the REIT's external auditors;

(c) reviewing annual operating and capital budgets;

(d) reviewing the funding and administration of the REIT's compensation and pension plans;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of management and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the REIT of concerns regarding such; and

(h) any other questions or matters referred to it by the Board.

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INSTRUCTIONS

- Read this Information Circular
- Complete, sign, date and deliver the Form of Proxy (*printed on yellow paper*)
- Complete, sign, date and deliver the Letter of Transmittal and Election Form (*printed on pink paper*)
- *Only for Shareholders who elect to receive Class B LP Units*: Complete, sign, date and deliver two copies of an Election on Disposition of Property by a Taxpayer to a Canadian Partnership (*printed on blue paper*).